

GOVERNMENT FINANCE OFFICERS ASSOCIATION
CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN
FINANCIAL REPORTING

GENERAL PURPOSE PREPARER CHECKLIST

This checklist is designed to assist in the preparation of comprehensive annual financial reports (CAFRs). It is available in electronic form at GFOA's website (www.gfoa.org) under the heading *Award Programs* in the *Certificate of Achievement for Excellence in Financial Reporting* section.

ADDITIONAL MATERIAL FOR PENDING GASB PRONOUNCEMENTS

The checklist covers all Governmental Accounting Standards Board (GASB) pronouncements that have been issued as final documents through GASB Statement No. 66, *Technical Corrections – 2012, an amendment of GASB Statements No. 10 and No. 62*. For a government that is not yet required to implement and has not early implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* the relevant questions are included in the *Checklist Supplement* following section 19.

The checklist is designed to provide comprehensive guidance for financial statement preparers. The use of this checklist, however, does not guarantee that a given CAFR will be awarded the Certificate of Achievement for Excellence in Financial Reporting.

This particular checklist includes all sections of questions that are applicable to a general-purpose government. (A specialized checklist is available for school districts.) It excludes the sections that are applicable only to the specialized checklist for pension and other postemployment benefit systems and cash and investment pools. Accordingly, breaks in the numerical sequence of the sections presented in this checklist simply reflect the omission of those sections that are only applicable to those specialized checklists.

Indentation indicates that a given question is dependent upon a positive response to the preceding question. Accordingly, preparers need not consider the indented questions if the answer to the lead-in question is not positive.

Compliance with certain requirements of generally accepted accounting principles (GAAP) cannot be determined simply by examining a financial report. Questions about such items have been omitted from this checklist, except in those cases where answers to questions in Section IV of the Certificate Program Application Form provide the background needed to respond meaningfully. A plus sign (+) indicates those specific questions for which needed information should be available on the application form. Additionally, information has been provided in the form of *italicized* comments for GAAP requirements not addressed in the question. If this guidance is applicable, it must be implemented.

An asterisk (*) designates specific items that of themselves may disqualify a report from being awarded the Certificate of Achievement for Excellence in Financial Reporting. Other items also may disqualify a report from receiving the Certificate. Clarification of certain items can be found in an explanation that immediately follows the related checklist question or italicized comment.

The CAFR will be graded on the following categories, when applicable to the government:

- Cover, table of contents, and formatting
- Introductory section
- Report of the independent auditor
- Management's discussion and analysis (MD&A)
- Basic financial statements (preliminary considerations)
- Government-wide financial statements
- Fund financial statements (general considerations)
- Governmental fund financial statements
- Proprietary fund financial statements
- Fiduciary fund financial statements
- Summary of significant accounting policies (SSAP)
- Note disclosure (other than the SSAP and pension-related disclosures)
- Pension and other postemployment benefit related note disclosures
- Required supplementary information (RSI)
- Combining and individual fund information and other supplementary information
- Statistical section
- Other considerations

Abbreviations Used in this Checklist

SLG	-	<i>SLG</i> , American Institute of Certified Public Accountants, March 1, 2012
GAAFR	-	<i>Governmental Accounting, Auditing, and Financial Reporting</i> , GFOA 2012
GAAP	-	Generally accepted accounting principles
GASB - I	-	GASB Interpretation
GASB - S	-	GASB Statement
GASB - TB	-	GASB Technical Bulletin
Q&A	-	2012-2013 <i>Comprehensive Implementation Guide</i> , GASB
NCGA - I	-	National Council on Governmental Accounting Interpretation
NCGA - S	-	National Council on Governmental Accounting Statement

All references listed above, except those for “GAAFR,” “Q & A,” and *SLG*, are followed by the number of the pronouncement, if applicable, and the specific paragraph(s), footnote(s), or appendix (appendices) within the publication that is being referenced. The references to “GAAFR” are to pages in that publication. For “Q&A,” the references are to the applicable chapters and questions in that publication. For “*SLG*,” the references are to the chapter and specific paragraph.

Yes No N/A

COVER, TABLE OF CONTENTS, AND FORMATTING

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|-------|-------|-------|-----|---|
| _____ | _____ | _____ | 1.1 | Does the report cover describe the document as a “comprehensive annual financial report”? [GAAFR, page 591] |
| _____ | _____ | _____ | 1.2 | Does the report cover include the name of the government?[GAAFR, page 591] |
| _____ | _____ | _____ | 1.3 | In the case of governments other than states, does the report cover include the name of the state within which the government is located? [GAAFR, page 591] |
| _____ | _____ | _____ | 1.4 | Does the report cover indicate the fiscal period covered? [GAAFR, page 591] |

Explanation: The description of the fiscal year should include the exact date on which the fiscal year ended (e.g., for the fiscal year ended June 30, 2012).

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| _____ | _____ | _____ | 1.5 | Is there a title page? [GAAFR, page 591] If so: |
| _____ | _____ | _____ | 1.5a | Does it describe the document as a “comprehensive annual financial report”? [GAAFR, page 591] |
| _____ | _____ | _____ | 1.5b | Does it indicate the fiscal period covered? [GAAFR, page 591] |
| _____ | _____ | _____ | 1.5c | Does it include the name of either the individual or the department responsible for preparing the report? [GAAFR, page 591] |

Explanation: It is not necessary to actually state that the report was prepared by the individual or department responsible. The name of the individual or department is sufficient.

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| _____ | _____ | _____ | 1.5d | For governments other than states, does it include the name of the state within which the government is located? [GAAFR, page 591] |
| _____ | _____ | _____ | 1.6* | Is a table of contents included that encompasses the entire report? [NCGA-S1:139; GAAFR, page 591] If so: |
| _____ | _____ | _____ | 1.6a | Does it clearly segregate each of the three basic sections of the report (i.e., introductory section, financial section, and statistical section)? [GAAFR, page 591] |

Explanation: If a report contains additional sections, these should be segregated as well in the table of contents.

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| _____ | _____ | _____ | 1.6b | Does it present the introductory section and the financial section as the first and second sections, respectively, of the report? [Certificate Program requirement] |
| _____ | _____ | _____ | 1.6c | Does it clearly distinguish the basic financial statements (including the notes) from RSI and the other contents of the financial section? [GAAFR, page 591] |
| _____ | _____ | _____ | 1.6d | Does it identify each statement and schedule by its full title? [GAAFR, page 591] |
| _____ | _____ | _____ | 1.6e | Does it include a page number reference for each item? [GAAFR, page 591] |

Explanation: All items on the table of contents should be accompanied by a page number. Exhibit numbers, while permitted, are not a substitute for page numbers.

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| _____ | _____ | _____ | 1.7 | If a statement or schedule occupies more than a single pair of facing pages, does the statement or schedule alert readers to this fact by including the word “continued” on the first pair of facing pages, as well as on each subsequent pair of facing pages? [Certificate Program requirement] |
|-------|-------|-------|-----|---|

Yes No N/A

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| _____ | _____ | _____ | 1.8 | Does each page have a page number? [Certificate Program requirement] |
| _____ | _____ | _____ | 1.9 | Are text and numbers throughout the report easily readable? [Certificate Program requirement] |
| _____ | _____ | _____ | 1.10 | Has the government refrained from reporting cents? [Certificate Program requirement] |
| _____ | _____ | _____ | 1.11 | If numbers are rounded to the nearest thousand or million, is this fact clearly indicated? [Certificate Program requirement] |

INTRODUCTORY SECTION

GENERAL CONSIDERATIONS

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| _____ | _____ | _____ | 2.1 | If the government received the Certificate of Achievement for Excellence in Financial Reporting in the immediately preceding fiscal year, is a copy of that award included somewhere within the introductory section? [GAAFR, pages 594] |
| _____ | _____ | _____ | 2.2 | Are the government's principal officials (elected, appointed, or both) listed somewhere within the introductory section? [GAAFR, page 594] |

Explanation: For this purpose a government may present either its principal officials in place during the fiscal year, its principal officials in place at the time the report is issued, or some combination of both.

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| _____ | _____ | _____ | 2.3 | Is an organization chart included somewhere within the introductory section? [GAAFR, page 594] |
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LETTER OF TRANSMITTAL

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|-------|-------|-------|------|--|
| _____ | _____ | _____ | 2.4* | Is a letter of transmittal included within the introductory section? [NCGA-S1:139; GAAFR, page 591] If so: |
| _____ | _____ | _____ | 2.4a | Is it presented on the letterhead stationery of the government? [GAAFR, page 592] |
| _____ | _____ | _____ | 2.4b | Is it dated on or after the date of the independent auditor's report? [GAAFR, page 592] |
| _____ | _____ | _____ | 2.4c | Is it signed by at least the chief financial officer? [GAAFR, page 592] |

Explanation: If the chief financial officer at the time the letter of transmittal is issued is different than the chief financial officer at the end of the fiscal period, either individual may sign the letter.

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| _____ | _____ | _____ | 2.4d | Does it state that management is responsible for the contents of the report? [GAAFR, page 592] |
| _____ | _____ | _____ | 2.4e | Does it include background information on the government? [GAAFR, page 593] |
| _____ | _____ | _____ | 2.4f | Does it contain information designed to assist users in assessing the government's economic condition (e.g., information on the local economy)? [GAAFR, page 593] |

Explanation: Examples of other types of information that might be useful in assessing a government's economic condition include information associated with a government's long-term financial planning, financial policies that were relevant in the

Yes No N/A

current period (e.g., the application in the current period of the government’s policy on the use of one-time revenue sources), and major initiatives that are expected to affect future financial positions.

_____ 2.4g Does it contain acknowledgements? [GAAFR, page 594]

If the government received the Certificate of Achievement for Excellence in Financial Reporting or some other award, the government may mention such awards in the letter of transmittal. [GAAFR, page 594]

Explanation: *While it is appropriate to mention awards in a letter of transmittal, the awards thus mentioned ought to have some bearing on the government’s financial management.*

_____ 2.4h Does the letter of transmittal direct readers to MD&A? [GAAFR, page 592]

_____ 2.4i Has the government refrained from duplicating information contained in MD&A or in the notes to the financial statements? [GASB-S34:8, note 7; Q&A 7.5.2; GAAFR, pages 591-2]

Explanation: The *GAAFR* suggests three means of avoiding unnecessary duplication: 1) briefly identifying a topic and explaining its potential interest to financial statement users in the letter of transmittal, 2) referring readers of the letter of transmittal to the notes and MD&A for any information on the topic already provided there, and 3) limiting the discussion in the letter of transmittal to the more subjective aspects of a given topic.

FINANCIAL SECTION – REPORT OF THE INDEPENDENT AUDITOR

_____ 3.1* Are the basic financial statements accompanied by the report of the independent auditor? [GAAFR, page 594]

_____ 3.2 Is the report of the independent auditor presented as the first item in the financial section of the report? [GAAFR, page 594]

_____ 3.3 Did the independent auditor conduct the audit in conformity with either generally accepted auditing standards or generally accepted government auditing standards (i.e., *Government Auditing Standards*)? [GAAFR, page 601]

_____ 3.4 Did the independent auditor express an opinion on the fair presentation of each of the following: governmental activities; business-type activities; each major governmental fund; each major enterprise fund; other funds (in the aggregate); discretely presented component units (in the aggregate); and budgetary comparisons (if presented as a basic financial statement) in conformity with GAAP? [GAAFR, pages 594- 595]

_____ 3.5* Did the independent auditor express an *unmodified* opinion on the fair presentation of the basic financial statements? [GAAFR, page 601]

Explanation: The independent auditor’s opinion is considered to be *unmodified* unless the auditor 1) offers an adverse opinion, 2) offers a modified opinion (i.e., fairly presented *except for...*), or 3) disclaims an opinion on all or a portion of the basic financial statements.

_____ 3.6 Does the independent auditor indicate, at a minimum, that combining and individual fund financial statements and schedules are fairly presented “in relation to” the basic financial statements? [Certificate Program requirement]

_____ 3.7 Did the independent auditor refrain from indicating that RSI is either absent or otherwise potentially inadequate? [GAAFR, page 595]

_____ 3.8 Did the independent auditor sign and date the report?

Yes No N/A

3.9 If the independent auditor's report states that combining and individual fund financial statements are fairly presented *in relation to* the basic financial statements, has the government refrained from including any reference to the notes to the financial statements on the face of the combining and individual fund statements? [GAAFR, page 599]

Explanation: A statement in the independent auditor's report that combining and individual fund financial statements are fairly presented *in relation to* the basic financial statements is *not* tantamount to an opinion on the fair presentation of those statements in their own right. It is only when the independent auditor states that combining and individual fund financial statements are fairly presented *without reference to the basic financial statements* that a reference to the notes to the financial statements is appropriate on the face of those statements.

**FINANCIAL SECTION – MANAGEMENT'S
 DISCUSSION AND ANALYSIS (MD&A)**

_____ 4.1* Is MD&A presented? [GASB-S34:68; GAAFR, pages 567] If so:

_____ 4.1a* Is MD&A presented preceding the basic financial statements? [GASB-S34:8; Q&A 7.5.1; GAAFR, page 567]

_____ 4.1b Does MD&A describe the basic government-wide financial statements and the basic fund financial statements, as well as the difference in the kinds of information provided by each? [GASB-S34:11a; Q&A 7.5.9; GAAFR, page 568]

Explanation: This description should either focus on how fund financial statements reinforce information in the government-wide financial statements (e.g., proprietary fund financial statements) or provide additional information (e.g., governmental fund financial statements and fiduciary fund financial statements). In particular, it should describe the relationship between the governmental fund financial statements and the data reported for *governmental activities* in the government-wide financial statements.

_____ 4.1c Does MD&A provide condensed financial data extracted from the government-wide financial statements? [GASB-S34:11b; GAAFR, pages 568-9]

Explanation: The condensed data should include:

- Total assets (distinguishing between capital assets and other assets);
- Total liabilities (distinguishing between long-term liabilities and other liabilities);
- Total net position (distinguishing *net investment in capital assets*; *restricted net position*; and *unrestricted net position*);
- Program revenues (by major source);
- General revenues (by major source);
- Total revenues;
- Program expenses (at least by function);
- Total expenses;
- Excess or deficiency (before any contributions to term and permanent endowments, contributions to permanent fund principal, special items, extraordinary items, and transfers);
- Contributions;
- Special and extraordinary items;
- Transfers;
- Change in net position;
- Ending net position from the statement of activities.

_____ 4.1d* Does MD&A present condensed financial data for both the current fiscal period and the preceding fiscal period? [GASB-S34:11b; GAAFR, page 568]

Explanation: The MD&A should separately present condensed data from the governmental activities and the business-type activities for both years.

Yes No N/A

4.1e Does MD&A provide an overall analysis of the government’s financial position and results of operations? [GASB-S34:11c; GAAFR, page 569]

Explanation: *Analysis*, properly speaking, should focus on the *reasons for changes* rather than just their sizes.

4.1e1 Does it specifically address whether the government’s overall financial position has improved or deteriorated? [GASB-S34:11c; GAAFR, page 569]

Explanation: It is not necessary for the discussion to use the word “improved” or “deteriorated.” A statement that net position has increased or decreased is sufficient.

4.1e2 Does it address *governmental activities* separately from *business-type activities*? [GASB-S34:11c; GAAFR, page 569]

If economic factors significantly affected the operating results of the current period, they should be discussed as part of this analysis. [GASB-S34:11c; GAAFR, page 569]

4.1f Does MD&A provide an analysis of significant balances and transactions of individual major funds? [GASB-S34:11d; GAAFR, page 569]

Explanation: *Analysis*, properly speaking, should focus on the *reasons for changes* rather than just their sizes. Normally, the analysis of individual funds is provided separately from the overall analysis described in question 4.1e. However, sometimes governments combine the overall analysis and the fund analysis. Either approach is acceptable as long as the analysis includes reasons for both the changes for each type of activity and for the individual major funds, as necessary (i.e., those with significant balances and/or transactions).

4.1f1 Does MD&A address whether restrictions, commitments, or other limitations significantly affect the availability of fund resources for future use? [GASB-S34:11d; GAAFR, page 569]

4.1g Does MD&A provide an analysis of significant budgetary variations (both original budget versus final amended budget and final amended budget versus actual) for the general fund? [GASB-S34:11e; GAAFR, page 570]

If any currently known reasons for budgetary variations in the general fund are expected to have a significant effect on future liquidity or services, the MD&A should explain that fact. [GASB-S34:11e; GAAFR, page 570]

4.1h Does MD&A describe significant capital asset and long-term debt activity during the year? [GASB-S34:11f; GAAFR, pages 570]

Explanation: This discussion should summarize, rather than repeat, the detailed information presented in the notes. It also should address commitments made for capital expenditures, changes in credit ratings, and debt limitations that may affect the financing of planned facilities or services.

4.1h1 Does the discussion of capital asset and long-term debt activity refer readers interested in more detailed information to the notes to the financial statements? [GASB-S34:11f, note 8; GAAFR, pages 570]

4.1i If the government uses the modified approach to account for one or more networks or subsystems of infrastructure assets, does MD&A state that fact? [GASB-S34:11g; GAAFR, page 570] If so:

4.1i1 Does the discussion of the use of the modified approach include a comparison of current condition levels with target condition levels

Yes No N/A

established by the government? [GASB-S34:11g(2); GAAFR, page 570]

If the modified approach is used, mention also should be made of 1) any significant changes in the condition levels of infrastructure assets and 2) any significant differences between the estimated amount necessary to maintain and preserve infrastructure assets at target condition levels and the actual amount of expense incurred for that purpose during the period. [GASB-S34:11g(1), (3); GAAFR, page 570]

The government should disclose any other “currently known facts, conditions, or decisions” that are expected to have a significant effect on financial position (net position) or results of operations (revenues, expenses, and other changes in net position). [GASB-S34:11h; GAAFR, page 571]

Explanation: “Currently known facts, conditions, or decisions” are those known by management as of the date of the independent auditor’s report. Examples of items that meet the criteria and should be discussed in MD&A include:

- The award and acceptance of a major grant;
- The adjudication of a significant lawsuit;
- The reassessment of taxable property;
- The completion of an agreement to locate a major manufacturing plant in the government’s boundaries;
- A renegotiated labor contract with employees;
- A flood that caused significant damage to a government’s infrastructure.

The emphasis is on things that have actually happened rather than those that might happen (e.g., the possible award of a grant, the potential for the location of a major business within the government’s boundaries).

_____ 4.1j Do the amounts reported in MD&A agree with related amounts in the basic financial statements? [Certificate Program requirement]

_____ 4.1k Has the government refrained from addressing in MD&A topics not specifically prescribed by SGAS 34? [GASB-S37:4-5; Q&A 7.5.7; GAAFR, page 568]

Explanation: Governments may address in MD&A only those topics specifically identified in SGAS 34, paragraph 11. These topics are summarized in questions 4.1b-4.1i1 of this checklist. Governments are free, however, to provide whatever level of detail they believe appropriate in addressing these particular topics.

**FINANCIAL SECTION – BASIC FINANCIAL STATEMENTS
(PRELIMINARY CONSIDERATIONS)**

_____ 5.1* Is a full set of basic financial statements (i.e., both government-wide financial statements and fund financial statements) presented?

Explanation: The statement of changes in assets and liabilities for the agency funds should *not* be included within the basic financial statements, but should be included in the combining and individual fund statements and schedules section.

If so, does it include each of the following statements (if applicable):

_____ 5.1a* Government-wide statement of net position? [GASB-S34:12; GAAFR, page 295]

_____ 5.1b* Government-wide statement of activities? [GASB-S34:12; GAAFR, page 295]

_____ 5.1c* Balance sheet – governmental funds? [GASB-S34:78; GAAFR, page 183]

_____ 5.1d* Statement of revenues, expenditures, and changes in fund balances – governmental funds? [GASB-S34:78; GAAFR, page 183]

Yes	No	N/A		
_____	_____	_____	5.1e*	Statement of revenues, expenditures, and changes in fund balances – budget and actual – general fund and major special revenue funds (if not presented as RSI)? [GASB-S34:130, note 53; GAAFR, page 183]
_____	_____	_____	5.1f*	Statement of fund net position or balance sheet – proprietary funds? [GASB-S34:91; GAAFR, page 229]
_____	_____	_____	5.1g*	Statement of revenues, expenses, and changes in fund net position/equity – proprietary funds? [GASB-S34:91; GAAFR, page 229]
_____	_____	_____	5.1h*	Statement of cash flows – proprietary funds? [GASB-S34:91; GAAFR, page 229]
_____	_____	_____	5.1i*	Statement of fiduciary net position? [GASB-S34:106; GAAFR, page 261]
_____	_____	_____	5.1j*	Statement of changes in fiduciary net position? [GASB-S34:106; GAAFR, page 261]
_____	_____	_____	5.2*	Do the government-wide and fund statements of position (i.e., the statement of net position or the balance sheet, where applicable) report separate sections for assets, deferred outflows of resources, liabilities, and deferred inflows of resources, as applicable? [GASB-S63:7; GAAFR, pages 229 and 296-297]
_____	_____	_____	5.2a*	If the statement presents deferred outflows of resources are the items presented as such limited to those items specifically identified by GAAP for reporting in the category? [GASB-S63:7]

Explanation: GASB Concepts Statement No. 4 established deferred outflows of resources as a financial statement element. However, that guidance states that only amounts identified by the GASB in authoritative pronouncements can be reported in the category. Following is the pronouncement and the item it identifies that can be reported as a deferred outflow of resources:

- The fair value of effective hedges that are in a loss position (i.e., the cumulative amount of the fair value changes of the effective hedge is a debit). [GASB-S53:20]

Additional items that can be reported as deferred outflows of resources are identified by GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. That Statement must first be implemented for fiscal years that will end December 31, 2013. Governments that early implement or are planning for the implementation of GASB Statement No. 65 should refer to the *Checklist Supplement* following section 19 for a discussion of those items.

_____	_____	_____	5.2b*	If the statement presents deferred inflows of resources are the items presented as such limited to those items specifically identified by GAAP for reporting in the category? [GASB-S63:7]
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Explanation: GASB Concepts Statement No. 4 established deferred inflows of resources as a financial statement element. However, that guidance states that only amounts identified by the GASB in authoritative pronouncements can be reported in the category. Following are the pronouncements that identify items that can be reported as deferred inflows of resources:

- The fair value of effective hedges that are in a gain position (i.e., the cumulative amount of the fair value changes of the effective hedge is a credit) [GASB-S53:20]
- In a service concession arrangement (SCA) the amount a transferor reports for the difference between the fair value of a new facility purchased or constructed by the operator or the improvement of an existing facility by the operator and any contractual liabilities that the transferor reports under the SCA. [GASB-S60:9]
- In a SCA the amount a transferor reports for the difference between up-front or installment payments from the operator and any contractual liabilities that the transferor reports under the SCA. [GASB-S60:12]

Yes No N/A

Additional items that can be reported as deferred inflows of resources are identified by GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. That Statement must first be implemented for fiscal years that will end December 31, 2013. Governments that early implement or are planning for the implementation of GASB Statement No. 65 should refer the *Checklist Supplement* following section 19 for a discussion of those items.

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|-------|-------|-------|-----|--|
| _____ | _____ | _____ | 5.3 | Are all of the basic financial statements referred to by their appropriate titles? |
| _____ | _____ | _____ | 5.4 | Are all of the basic financial statements grouped together at the front of the financial section of the report |
| _____ | _____ | _____ | 5.5 | Do all of the basic financial statements include a reference to the notes? [GAAFR, page 596] |
| _____ | _____ | _____ | 5.6 | If the government has multiple <i>major</i> discretely presented component units, do the basic financial statements present separate information on each as one of the following: 1) separate columns in the government-wide financial statements, 2) combining statements included within the basic financial statements, or 3) condensed financial statements included within the notes to the financial statements? [GASB-S14:50-1; GASB-S34:126; GAAFR, pages 83-84] |

Explanation: The determination that a component unit is "major" should be based on the nature and significance of its relationship to the primary government. This determination generally would be based on any of the following factors: (a) the services provided by the component unit to the citizenry are such that separate reporting as a major component unit is considered to be essential to financial statement users, (b) there are significant transactions with the primary government, or (c) there is a significant financial benefit or burden relationship with the primary government. [GASB-S14:51; GASB-S61:7a]

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| _____ | _____ | _____ | 5.7* | Has the government refrained from making direct adjustments to equity except in those situations specifically contemplated by GAAP? [SLG 10.03; GAAFR, pages 115-116] |
|-------|-------|-------|------|---|

Explanation: Government-wide and fund financial statements must be presented using an *all-inclusive format*. That is, *all* changes to equity normally should be reported as part of the results of operations for the current period rather than treated as a direct adjustment to equity. There are three exceptions to this general rule: prior-period adjustments, changes in accounting principle, and changes in inventory balances accounted for using the purchases method. (The latter is applicable only to governmental fund financial statements.)

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| _____ | _____ | _____ | 5.8* | Do financial statements within each category (i.e., government-wide, governmental funds, proprietary funds, and fiduciary funds) articulate with one another? (For example, does the amount reported for <i>net position</i> at the end of the period in the government-wide statement of activities tie to the corresponding amount reported for <i>net position</i> in the government-wide statement of net position?) |
|-------|-------|-------|------|--|

Land and other real estate held as investments by endowments should be reported at fair value at the reporting date. Changes in fair value during the period should be reported as investment income. [GASB-S52:4]

A transaction in which a government receives or is entitled to resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues should be reported as a collateralized borrowing rather than as a sale unless the specific criteria for reporting as a sale are met. [GASB-S48:5-18]

Explanation: *The transaction should be reported as a sale of receivables only if all of the following criteria are met:*

- *Transferee can pledge or sell the receivables without significant transferor-imposed limitation;*
- *Transferor cannot reacquire specific accounts through a unilateral transfer of substitute accounts;*
- *Agreement is not cancelable by either party;*
- *Transferor is isolated from the cash collections of the receivables.*

The transaction should be reported as a sale of revenues only if all of the following criteria are met:

Yes No N/A

- Transferor has no active involvement in the generation of the future revenue;
- Transferee can pledge or sell the future revenues without significant transferor-imposed limitations;
- Transferor is isolated from the cash collections of the future revenues;
- No prohibition against a transfer or assignment of the resources;
- Agreement is not cancelable by either party.

If a government pledges future revenues to support the debt of a component unit without receiving resources in exchange, it should not recognize a liability, nor should the component unit recognize an asset as a result of and at the time of the pledge. Instead, the pledging government should recognize a liability to the debt-issuing component unit and an expense/expenditure simultaneously with the recognition of the pledged revenues. The debt-issuing component unit should recognize revenue when the pledging government is obligated to make the payments. [GASB-S48:19-20]

Gains (or losses) resulting from remeasurement of liabilities or assets in bankruptcy proceedings should be reported as an extraordinary item in financial statements prepared on an accrual basis. [GASB-S58:12]

When a government is in bankruptcy proceedings the professional fees and similar types of costs directly related to those proceedings should be reported as an expense or expenditure as incurred. [GASB-S58:13]

_____ 5.9 Has the government reported transfers of capital assets or financial assets within the financial reporting entity at their carrying value at the time of the transfer? [GASB-S48:15]

_____ 5.10 Does the government report derivative instruments on the statement of net position as assets or liabilities, as appropriate, at their fair value? [GASB-S53:19; GAAFR, page 489]

Explanation: This treatment only applies to government-wide, proprietary fund, and fiduciary fund financial statements. Fair value reporting is required except for fully benefit-responsive Synthetic Guaranteed Investment Contracts (SGIC). In these cases the underlying investments and the wrap contract should be reported at contract value. [GASB-S53:67; GAAFR, page 489]

_____ 5.11 Does the government report the changes in fair values of investment derivative instruments, including derivative instruments that are determined to be ineffective, within the investment revenue classification on the flow of resources statement? [GASB-S53:20; GAAFR, page 495]

Explanation: This treatment only applies to government-wide, proprietary fund, and fiduciary fund financial statements.

_____ 5.12 Does the government report the changes in fair values of hedging derivative instruments that are determined to be effective as either deferred outflows of resources or deferred inflows of resources, as appropriate, in the statement of net position (i.e., hedge accounting)? [GASB-S53:20; GAAFR, pages 490, 492-493]

Explanation: Hedge accounting should no longer be applied once any of the following termination events occur:

- The hedging derivative instrument is no longer effective
- The likelihood that a hedged expected transaction will occur is no longer probable.
- The hedged asset or liability, such as a hedged bond, is sold or retired but not reported as a current refunding or advanced refunding resulting in a defeasance of debt.
- The hedging derivative instrument is terminated.
- A current refunding or advanced refunding resulting in the defeasance of the hedged debt is executed.
- The hedged expected transaction occurs, such as the purchase of an energy commodity or the sale of bonds.

Yes No N/A

5.13 If a termination event occurred related to a derivative that had been reported using hedge accounting and an effective hedging relationship did not continue, did the government recognize the balance in the deferral account (whether the balance was a deferred outflow or a deferred inflow of resources) on the flow of resources statement within the investment revenue classification? [GASB-S53:23; GASB-S64:4; GAAFR, page 491]

Explanation: A hedging derivative instrument is terminated upon the occurrence of a termination event unless an effective hedging relationship continues. An effective hedging relationship continues when all of the following criteria are met:

- Collectability of swap payments is considered to be probable. Collectability of payments is not probable, when a swap counterparty, or a swap counterparty’s credit support provider, has entered into bankruptcy and the swap is not collateralized or does not remain insured
- The swap counterparty of the interest rate swap or commodity swap, or the swap counterparty’s credit support provider, is replaced with an assignment or in-substance assignment [GASB-S64:5].
- The government enters into an assignment or in-substance assignment in response to the swap counterparty, or the swap counterparty’s credit support provider, either committing or experiencing an act of default or a termination event as both are described in the swap agreement.

If a termination event occurs and an effective hedging relationship does not continue, any amount of the deferral account that is recognized and is reported separately within the investment revenue classification should be captioned ”increase (decrease) upon hedge termination.”

If the termination event is the refunding of the hedged debt (through either a current refunding or an advanced refunding) the balance of the deferral account should be included in the net carrying amount of the old debt for purposes of calculating the difference between that amount and the reacquisition price of the old debt.

If the termination event is the occurrence of the hedged expected transaction the disposition of the deferral balance depends on whether the hedged expected transaction results in a financial instrument or a commodity. If the expected transaction results in a financial instrument, the accounting treatment depends on whether the government is re-exposed to the hedged risk. If the government is re-exposed to the hedged risk, the balance of the deferral account should be recognized on the flow of resources statement within the investment revenue classification.

If the government is not re-exposed to the hedged risk, the balance in the deferral account should be reported on the flow of resources statement consistent with the hedged item. For example, a government hedges its exposure to interest rate risk associated with the expected issuance of fixed-rate debt using a hedging derivative instrument, an interest rate lock. The interest rate lock terminates on the date of the expected issuance of debt. If the fixed-rate bonds are issued and the interest rate lock is terminated, the government is no longer exposed to interest rate risk. In this case, the deferral account should be amortized in a systematic and rational manner over the life of the debt as an adjustment of interest expense.

If the expected transaction results in a commodity, the balance of the deferral account should be removed by reporting the balance as an adjustment to the actual transaction. For example, if the expected transaction is a hedge of market risk associated with the purchase of electricity and the purchase occurs, the balance of the deferral account related to the hedging derivative instrument should be removed by reporting the balance as an adjustment to the cost of energy.

**FINANCIAL SECTION – GOVERNMENT-WIDE
 FINANCIAL STATEMENTS**

GENERAL CONSIDERATIONS

_____ 6.1* Are *governmental activities* and *business-type activities* reported as separate columns? [GASB-S34:12d, 15; GAAFR, pages 62 and 298-299]

_____ 6.2* Is a total column presented for the primary government? [GASB-S34:14; GAAFR, page 299]

_____ 6.2a* Is the total column for the primary government consolidated? [GASB-S34:57-60; GAAFR, pages 299]

Yes No N/A

Explanation: The consolidated total column for the primary government presented in the government-wide statement of net position should include neither internal receivables nor internal payables, unless there is a difference in fiscal year between the primary government and a blended component unit. Amounts due to/from fiduciary funds should not be reported as interfund balances. Likewise, the total column on the statement of activities should not include transfers.

_____ 6.3* Are any discretely presented component units presented in one or more separate columns to the right of the total column for the primary government? [GASB-S34:12c; GAAFR, pages 82 and 299-300]

_____ 6.3a* Has the government refrained from reporting within this (these) column(s) component units that meet the criteria for reporting as a blended component unit? [GASB-S61:8; GAAFR, page 80]

Explanation: See question 7.5 for the circumstances when it is appropriate to report a component unit using the blending method.

_____ 6.4* Has the government refrained from including either fiduciary funds or fiduciary-type component units in the government-wide financial statements? [GASB-S34:12b; GAAFR, pages 62 and 295]

_____ 6.5 Has the government refrained from using interfund terminology (e.g., *transfers*) to refer to balances and transactions between the primary government and discretely presented component units? [GASB-S34:61; GAAFR, pages 53 and 86]

GOVERNMENT-WIDE STATEMENT OF NET POSITION

_____ 6.6* Are assets and liabilities reported either in the relative order of their liquidity or on a classified basis? [GASB-S34:31, note 23; GAAFR, pages 297-298]

_____ 6.6a If assets and liabilities are presented in the relative order of liquidity, is any amount presented for long-term liabilities divided between amounts due within one year and amounts due beyond one year? [GASB-S34:31; GAAFR, page 298]

_____ 6.6b If a classified approach is taken and restricted assets are reported, are restricted assets and liabilities payable from restricted assets reported in the same category?

_____ 6.7* Does each column in the government-wide statement of net position include capital assets (including infrastructure assets and intangible assets) used to support those activities? [GASB-S34:12e, 19; GAAFR, pages 300]

Explanation: The government-wide statement of net position should report capital assets that are *not* being depreciated (e.g., land, construction-in-progress, or infrastructure assets reported using the modified approach) separately from depreciable capital assets, if significant.

Also, an intangible asset should be recognized in the statement of net position only if it is identifiable. An intangible asset is considered identifiable when either of the following conditions is met:

- The asset is capable of being separated or divided from the government and sold, transferred, licensed, rented, or exchanged, either individually or together with a related contract, asset, or liability
- The asset arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations. [GASB-S51:6]

_____ 6.7a Has the government appropriately capitalized its internally generated intangible assets? [GASB-S51:7-8]

Explanation: Outlays incurred related to the development of an internally generated intangible asset that is identifiable should be capitalized only upon the occurrence of all of the following:

Yes No N/A

- Determination of the specific objective of the project and the nature of the service capacity that is expected to be provided by the intangible asset upon the completion of the project;
- Demonstration of the technical or technological feasibility for completing the project so that the intangible asset will provide its expected service capacity;
- Demonstration of the current intention, ability, and presence of effort to complete or, in the case of a multiyear project, continue development of the intangible asset.

Only outlays incurred subsequent to meeting the above criteria should be capitalized. Outlays incurred prior to meeting those criteria should be expensed as incurred.

___ ___ ___ 6.7a1 In the case of internally generated computer software, has the government only capitalized outlays related to the application development stage? [GASBS-51:9-15]

Explanation: Activities of the preliminary project stage should be expensed as incurred rather than being included in the cost of capital assets. These activities include the conceptual formulation and evaluation of alternatives, the determination of the existence of needed technology, and the final selection of alternatives for the development of the software. Likewise, activities of the post-implementation/operation stage should be expensed as incurred. These activities include application training, software maintenance, and data conversion beyond that necessary to make the computer software operational.

Additionally, the outlays related to the application development stage may only be capitalized once the activities in the preliminary project stage have been completed. Further, management must implicitly or explicitly authorize and commit to funding the software project at least currently in the case of a multiyear project, in order for capitalization to commence.

Outlays associated with an internally generated modification of computer software that is already in operation should be capitalized if the modification results in any of the following:

- An increase in the functionality of the computer software,
- An increase in the efficiency of the computer software, or
- An extension of the estimated useful life of the software.

___ ___ ___ 6.8 Does the *governmental activities column* include an asset for the negative net pension obligation/negative net other postemployment benefit obligation, if applicable? [GASB-S27:17; GASB-S 45:21; GAAFR, page 400]

___ ___ ___ 6.9* Does the *governmental activities column* include debt and all other long-term liabilities (e.g., compensated absences, claims and judgments, net pension obligation/net other postemployment benefit obligation, pollution remediation liabilities) incurred in connection with those activities? [GASB-S34:12e; GASB-S49:9-10; GAAFR, page 270]

___ ___ ___ 6.10 If the government has issued special assessment debt for which it is obligated in some manner, has it reported such amounts as *special assessment debt with governmental commitment*? [GASB-S6:17b(1); GAAFR, pages 476-477]

___ ___ ___ 6.11* Is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources reported as *net position*? [GASB-S34:30; GASB-S63:8; GAAFR, page 296]

___ ___ ___ 6.11a* Is the net investment in capital assets, correctly calculated? [GASB-S34:33; GAAFR, pages 300-303]

Explanation: The government should calculate the net investment in capital assets, using the following general formula:

Capital assets (including appropriately reported intangible assets)
 Plus capital-related deferred outflows of resources
 Less accumulated depreciation
 Less outstanding principal of capital-related borrowings
 Less capital-related deferred inflows of resources

Yes No N/A

Net investment in capital assets

_____	_____	_____	6.11a1*	Has the government refrained from including financial assets, including interfund loans, in the calculation of the net investment in capital assets? [GASB-S34:33; Q&A 7.23.11; GAAFR, page 301]
_____	_____	_____	6.11a2*	Has the government refrained from including noncapital accrued liabilities (e.g., compensated absences, claims and judgments, landfill closure and postclosure costs) in the calculation of the net investment in capital assets? [GASB-S34:33; GAAFR, pages 300-301]
_____	_____	_____	6.11a3*	Has the government refrained from including unspent proceeds from debt in the calculation of the net investment in capital assets? [GASB-S34:33; Q&A 7.23.2; GAAFR, page 300]
_____	_____	_____	6.11a4*	Has the government refrained from including debt that was used to provide capital assets to another government (or a discretely presented component unit) in the calculation of the net investment in capital assets? [Q&A 7.23.10; GAAFR, page 301 and 303]
_____	_____	_____	6.11a5*	Has the government refrained from including debt to be repaid by governmental activities when the proceeds were used to acquire capital assets that the business-type activities report, and vice versa? [GAAFR, pages 302-303]

Explanation: This debt may be considered capital-related debt in the total primary government column, if presented. In that case, the government could include a footnote to explain the nature of the reclassification.

_____	_____	_____	6.11a6*	Has the government refrained from including interest payable and the accrued interest on deep discount debt in the calculation of the net investment in capital assets? [Q&A 7.22.9]
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Original issue discounts and premiums, however, should be included in the calculation of the net investment in capital assets. Conversely, bond issuance costs should be excluded from the calculation.

_____	_____	_____	6.11a7*	Has the government included debt that refunded capital-related debt in the calculation of the net investment in capital assets? [Q&A 7.23.6]
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Explanation: Deferred amounts on refundings relating to capital-related debt should be included in this calculation. In the case of a crossover refunding, the new debt does not qualify as capital-related debt until the crossover date (i.e., when the old debt is refunded). Accordingly, that debt should not be included in the calculation of the net investment in capital assets, until the crossover date.

Explanation: The government must hold title to a capital asset if the debt used to acquire it is to be classified as “capital-related debt.”

_____	_____	_____	6.11b	Are only amounts with externally imposed restrictions (e.g., through debt covenants or by grantors) or restrictions imposed by law through constitutional provisions or enabling legislation included in the calculation of restricted net position? [GASB-S34:34; Q&A 7.24.1; GAAFR, page 304]
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Explanation: If liabilities to be paid from assets with restrictions on their use exceed those assets, the excess should affect the unrestricted net position calculation.

If a government has both permanently and temporarily restricted net position, the amount reported for “restricted net position” should be divided between “nonexpendable” (i.e., permanently restricted) and “expendable” (i.e., temporarily restricted) amounts. [GASB-S34:35; GAAFR, page 305]

Yes No N/A

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| _____ | _____ | _____ | 6.11c* | Is unrestricted net position correctly calculated? |
| _____ | _____ | _____ | 6.11c1 | Does the calculation of unrestricted net position include the net position related to joint ventures? [Q&A 7.25.1] |

A government should refrain from reporting capitalization contributions to public-entity risk pools as an equity interest in a joint venture. [GASB-I4; GAAFR, page 548]

Explanation: If a capitalization contribution is made to a public-entity risk pool that does not pool or transfer risk, the capitalization contribution should be treated as a deposit or, if there is a liability for claims and judgments, as a reduction of that liability. If the capitalization contribution is made to a public-entity risk pool that does pool or transfer risk, the appropriate treatment depends on whether the government considers it probable that the capitalization contribution will be returned. If the return of the capitalization contribution is considered probable, then it should be treated by the participating government as a deposit (an asset or, if there is a liability for claims and judgments, as a reduction of that liability). If the return of the contribution is not considered probable, a prepaid asset should be reported.

Both an asset and a liability should be reported for securities lending arrangements collateralized with cash (or collateralized with securities that may be pledged or sold without a default). [GASB-S28:6; GAAFR, page 542]

Both an asset and a liability should be reported for reverse repurchase agreements, except for those of the yield-maintenance variety. [GASB-S3:81; GAAFR, page 541]

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

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| _____ | _____ | _____ | 6.12* | Does the format of the statement present expenses before revenues? [GASB-S34:38; GAAFR, page 305] |
| _____ | _____ | _____ | 6.13* | Is information on expenses for <i>governmental activities</i> presented at least at the <i>functional level</i> of detail? [GASB-S34:39; GAAFR, pages 306] |

Explanation: Except for interest and unallocated depreciation, expenses related to governmental activities should be classified by function rather than by object of expenditure (e.g. intergovernmental, employee benefits, capital outlay). More detail in addition to functional expenses may be provided.

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| _____ | _____ | _____ | 6.14* | Is information on expenses for <i>business-type activities</i> presented at least by <i>different identifiable activities</i> ? [GASB-S37:10; GAAFR, page 306] |
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Explanation: An identifiable activity has a specific revenue stream and related expenses and gains and losses that are accounted for separately. Whether an activity is different is generally based on the goods or services it provides. For example, utilities supplying water are different from those providing electricity even though both could be regarded, in a broader context, as utility services. All expenses should be reported within the expenses of an identifiable activity (i.e., interest expense or intergovernmental expenses should not be separately reported).

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| _____ | _____ | _____ | 6.15 | If a portion of the governmental activities depreciation expense is reported as a separate line item, is it labeled “ <i>unallocated depreciation expense</i> ”? [GASB-S37:10; GAAFR, page 307] |
| _____ | _____ | _____ | 6.16 | Is interest expense reported as a separate line item for <i>governmental activities</i> ? [GASB-S34:46; GAAFR, pages 307-308] |

If a portion of interest expense is included as a direct functional expense of a governmental activity, the separate line item reported for the remaining portion of interest expense should be labeled “unallocated interest expense.” [GASB-S34:46; GAAFR, page 308]

Yes No N/A

If a government wishes to allocate indirect expenses (e.g., interest expense, general administration) to individual functions or activities, it normally should use a separate column to do so. [GASB-S34:42; GAAFR, pages 306-307]

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| _____ | _____ | _____ | 6.17* | Does the format of the statement present <i>program revenues</i> associated with individual functions and activities? [GASB-S34:38; GAAFR, pages 310-311] |
| _____ | _____ | _____ | 6.17a* | Are program revenues presented for both <i>governmental activities</i> and <i>business-type activities</i> ? [GAAFR, pages 311-312] |
| _____ | _____ | _____ | 6.17b | Are program revenues segregated into the following categories, as appropriate: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions? [GASB-S34:48; GASB-S37:12, note d; GAAFR, pages 310] |

Explanation: The government is not restricted to using the broad category descriptions as the heading for its program revenue columns. Instead, more descriptive category headings can be used if the government believes they are more reflective of the amounts reported within the columns (e.g., operating grants, contributions, and restricted interest). Also, more than one column can be used to display the program revenues of an individual category (e.g., one column for fees and a second column for fines and forfeitures rather than a single column for “charges for services”).

Fees and charges should be reported as program revenues of the function or activity that generates them, even if they will be used to support some other function or activity. [GASB-S37:13; Q&A 7.39.3; GAAFR, page 311]

Grants and contributions should only be reported as program revenues if their use is restricted to particular functions and activities. Grants or contributions that may be used for either capital or operating purposes should be classified as “operating grants and contributions.” [GASB-S34:50; Q&A 7.39.4; GAAFR 310-311]

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| _____ | _____ | _____ | 6.17c | Has the government refrained from including taxes that it has levied as program revenues? [GASB-S34:52; GAAFR, page 309] |
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Explanation: Amounts that a government receives as shared revenues from taxes levied by another government should be reported as program revenue if their use is restricted to one or more specific programs.

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| _____ | _____ | _____ | 6.17d* | Has the government combined the expenses of individual functions and activities with related program revenues to calculate the net expense/revenue of each function and activity? [GASB-S34:38; GAAFR, page 310] |
| _____ | _____ | _____ | 6.18 | Has the government reported each major source of tax revenues separately within the <i>general revenues</i> ? [GASB-S34:52; GAAFR, page 313] |

Explanation: If portions of a government’s property tax levy are devoted to specific purposes, the government may choose to report a separate line for each purpose, although this is not required.

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| _____ | _____ | _____ | 6.19 | Has the government refrained from reporting special assessments as <i>general revenues</i> (rather than as <i>program revenues</i>)? [GASB-S34:49; GASB-S37:13; Q&A 7.36.1, and 7.36.2; GAAFR, page 309] |
| _____ | _____ | _____ | 6.20 | Has the government reported the following items separately, both from each other and from <i>general revenues</i> : contributions, special items, extraordinary items, and transfers? [GASB-S34:53-6; GAAFR, pages 313 and 315] |
| _____ | _____ | _____ | 6.21 | Has the government refrained from reporting extraordinary gains and losses in connection with refundings resulting in the defeasance or redemption of debt? [GASB-S23:4; GASB-S34:17, 146; GAAFR, page 208] |

Yes No N/A

_____ 6.22 Has the government refrained from reporting the loss from impairment of capital assets in general revenue? [GASB-S42:17; GAAFR, page 308]

Explanation: The loss from impairment of capital assets should be reported as 1) a program expense of the program that uses or used the impaired capital asset, 2) a special item, or 3) an extraordinary item.

FINANCIAL SECTION – FUND FINANCIAL STATEMENTS

GENERAL CONSIDERATIONS

_____ 7.1 Has the government refrained from reporting discretely presented component units as one or more separate columns in the fund financial statements? [GASB-S34:63, GAAFR page 262]

Explanation: The fiduciary fund financial statements should *not* distinguish data on fiduciary-type component units from data on the primary government's fiduciary funds. Instead, data from both sources should be combined and reported simply by fund type.

_____ 7.2 Do interfund receivables equal interfund payables (unless there is a difference in fiscal year between the primary government and its blended component units)? [GAAFR, page 327]

_____ 7.3 Do transfers between funds equal (unless there is a difference in fiscal year between the primary government and its blended component units)? [GAAFR, pages 327]

_____ 7.4 Has the government refrained from reporting overdrafts of pooled cash and investments as a negative asset balance (i.e., *negative cash*)? [SLG 5.28, GAAFR page 543]

_____ 7.5* Does the government refrain from blending component units that do not meet at least one of the following circumstances: 1) The component unit's governing body is substantively the same as the governing body of the primary government **and** there is either a financial benefit or burden relationship between the primary government and the component unit **OR** management of the primary government has operational responsibility for the component unit 2) The component unit provides services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government even though it does not provide services directly to it or 3) The component unit's total debt outstanding, including leases, is expected to be repaid entirely or almost entirely with the resources of the primary government. [GASB-S61:8a-c; GAAFR pages 80-81]

Explanation: In the case of option 1 described in the above question, "substantively the same" means sufficient representation of the primary government's entire governing body so that decisions of the primary government cannot be overridden by the component unit. In other words, the primary government is, essentially, serving as the governing body of the component unit. An example of a situation that qualifies for blending under option 2 in the above question is a building authority created to finance the construction of office buildings for the primary government. Further, a component unit that provides services to more than just the primary government should also be blended if the services provided to others are insignificant to the overall activities of the component unit. Other component units that should be blended are those that exclusively, or almost exclusively, benefit the primary government by providing services indirectly; for example, a component unit that provides services on behalf of the primary government to its employees rather than directly to the primary government itself.

_____ 7.6 Has the government refrained from blending legally separate tax-exempt organizations that are classified as component units only because of the nature and significance of their relationship with the primary government? [GASB-S39:5 and 7; GAAFR, page 81]

Explanation: Legally separate tax-exempt organizations that do not meet either test for financial accountability must nonetheless be included as *discretely presented* component units when they meet all three of the following criteria:

Yes No N/A

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents;
- The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; and
- The economic resources received or held by an individual organization that the specific primary government is entitled to, or has the ability to otherwise access, are significant to the primary government.

If legally separate tax-exempt entities do not meet the three criteria, but are included all the same because their inclusion is considered necessary to avoid incomplete or potentially misleading financial reporting, the normal criteria for blending would be applicable, and blending could be appropriate in rare instances.

If the government is a participant in a cost-sharing multiple-employer defined benefit plan, the government should report a liability in the appropriate governmental and/or proprietary fund(s) for required contributions related to employee services provided during the year that have not been made to the cost-sharing plan. [GASB-TB 04-2:6-9]

Explanation: *In the case of a cost-sharing multiple-employer defined benefit plan, the amount of the expenditure/expense that should be recognized for a fiscal year is equal to the sum of:*

- Amounts contributed (paid) during the financial reporting period as contractually required contributions for pay periods within that period and
- Any additional unpaid contractually required contributions for one or more pay periods within that period.

Accordingly, the appropriate governmental or proprietary fund(s) should report a fund liability for the unpaid contractually required contributions, that is, the unpaid contributions that relate to one or more pay periods within the financial reporting period.

For example, assume that at year-end a government has paid the contractually required contributions of \$700,000 due to a cost-sharing benefit plan for the first six months (July through December) of the government’s fiscal year ended June 30, 2007. The contractually required contributions of \$800,000 due to the plan for the second six months (January through June) of the fiscal year will be included in a payment that is scheduled on a date subsequent to year-end (e.g., August 15, 2007). For this benefit plan the government should recognize an expenditure/expense of \$1,500,000 and a liability of \$800,000 in the appropriate governmental or proprietary fund financial statements for the year ended June 30, 2007.

If the government provides prescription drug coverage to retirees and receives payments directly from the federal government under Medicare Part D, the government should recognize revenue rather than reducing OPEB costs. [GASB-TB 06-1:3]

Explanation: *Medicare Part D payments from the federal government are a separate transaction from the exchange of services for salaries and benefits (including postemployment benefits provided to retirees) between the employer government and the employees. When an employer government receives the Medicare Part D payments directly, as is typically the case when the benefits are provided through a single-employer OPEB plan, the payments should be recognized following the guidance for voluntary nonexchange transactions. Thus, the employer government should recognize an asset and revenue when all applicable eligibility requirements are met. If such amounts are reported in a governmental fund, they would also have to be available before revenue recognition could occur.*

**FINANCIAL SECTION – GOVERNMENTAL
FUND FINANCIAL STATEMENTS**

GENERAL CONSIDERATIONS

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|-------|-------|-------|------|---|
| _____ | _____ | _____ | 8.1* | Has the government included only governmental fund types (i.e., general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds)? [GASB-S34:63; GAAFR, page 40] |
| _____ | _____ | _____ | 8.2* | If reported, are special revenue funds used <i>only</i> to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects? [GASB-S54:30; GAAFR pages 40-41] |

Yes No N/A

Explanation: The proper use of a special revenue fund requires that one or more specific restricted or committed revenue sources be the foundation for the fund. Further, the restricted or committed proceeds of specific revenue sources should be expected to continue to comprise a substantial portion of the inflows reported in the fund. As long as the requirement for one or more foundation restricted or committed revenue sources is met, other resources (e.g., investment earnings and transfers from other funds) also may be reported in the fund if those resources are restricted, committed, or assigned to the specified purposes of the special revenue fund. If the government no longer expects that a substantial portion of the inflows of the fund will result from the restricted or committed revenue sources it will be necessary to discontinue the use of a special revenue fund. In such cases the government should report the remaining resources of the special revenue fund in the general fund. When the special revenue fund accounts for revolving loan arrangements with initial funding from grant revenues the evaluation of whether to continue the use of a special revenue fund may be whether those restricted resources (i.e., the initial grant revenues) continue to comprise a substantial portion of the fund balance in the special revenue fund's balance sheet.

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|-------|-------|-------|-----|---|
| _____ | _____ | _____ | 8.3 | If a stabilization arrangement is reported as a separate special revenue fund, do the resources originate from a specific restricted or committed revenue source? [GASB-S54:21] |
| _____ | _____ | _____ | 8.4 | Does the government refrain from using a special revenue fund to account for resources held in trust for individuals, private organizations, or other governments? [GASB-S54:30] |
| _____ | _____ | _____ | 8.5 | If reported, are capital projects funds used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets except for capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations or other governments? [GASB-S54:33] |
| _____ | _____ | _____ | 8.6 | If reported, are debt service funds used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest? [GASB-S54:34] |

Explanation: It is necessary to use debt service funds when they are legally mandated or when they account for and report financial resources that are being accumulated for principal and interest maturing in future years.

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|-------|-------|-------|-----|--|
| _____ | _____ | _____ | 8.7 | If reported, are permanent funds used exclusively to report resources available to support the government's programs, but that are legally restricted so that only earnings (and not principal) may be used? [GASB-S54:35; GAAFR, page 43] |
|-------|-------|-------|-----|--|

Explanation: Permanent funds should not include private-purpose trust arrangements that require the government to use the principal or earnings for the benefit of individuals, private organizations, or other government but not through the reporting government's programs.

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|-------|-------|-------|------|---|
| _____ | _____ | _____ | 8.8* | Is each major governmental fund reported in a separate column? [GASB-S34:75-6; GAAFR, page 183] |
|-------|-------|-------|------|---|

Explanation: The general fund must *always* be reported as a major fund. Other governmental funds *must* be reported as major funds if they meet certain criteria established by SGAS 34. Required major funds should be identified each year. However, even governmental funds that do *not* meet these criteria may be reported *voluntarily* as major funds

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|-------|-------|-------|------|--|
| _____ | _____ | _____ | 8.9* | Are all nonmajor governmental funds reported in a single column, regardless of fund type? [GASB-S34:75; GAAFR, page 183] |
|-------|-------|-------|------|--|

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|-------|-------|-------|-------|--|
| _____ | _____ | _____ | 8.10* | Is a total column presented? [GASB-S34:83 and 86; GAAFR, page 193] |
|-------|-------|-------|-------|--|

Yes	No	N/A		
_____	_____	_____		
_____	_____	_____	8.10a*	Is a summary reconciliation provided that ties this total column and the related amount reported for <i>governmental activities</i> in the government-wide financial statements? [GASB-S34:77, 85; GAAFR, pages 193-194]
_____	_____	_____	8.10b	If aggregation in the summary reconciliation obscures the nature of the individual elements of a particular reconciling item, has the government provided a more detailed explanation in the notes to the financial statements? [GASB-S34:77; Q&A 7.57.3; GAAFR, page 194]

Explanation: Potential obscurity requiring note disclosure occurs whenever 1) a single reconciling item is a combination of several similar balances or transactions (e.g., different types of long-term liabilities) or 2) a single reconciling item is a net adjustment.

BALANCE SHEET – GOVERNMENTAL FUNDS

_____	_____	_____	8.11*	Has the government refrained from reporting nonfinancial assets (e.g., capital assets used in operations rather than held for resale, intangibles, a negative net pension obligation, a negative net other postemployment benefit obligation)? [GASB-S34:83; GAAFR, pages 169-170]
_____	_____	_____	8.12*	Has the government refrained from reporting unmatured debt and accrued interest payable as liabilities (except in debt service funds employing the “early recognition” option for debt service payments due early in the subsequent year)? [GASB-S34:83; GAAFR, pages 144-146 and 174]

Explanation: Governments have the *option* of recognizing liabilities in the current period for principal and interest payments due early in the subsequent period in certain circumstances involving debt service funds.

A government should refrain from reporting any portion of the following liabilities in a governmental fund until they are due and payable: compensated absences; claims and judgments; termination benefits; liabilities associated with landfill closure and postclosure care cost; and liabilities associated with pollution remediation. [GASB-I6:14; GASB-S49:24; GAAFR, pages 175-177]

A government should refrain from reporting a liability for its net pension obligation/ net other postemployment benefit obligation. [GASB-S27:16; GAAFR, page 176]

A government also should refrain from reporting any liability in association with operating leases with scheduled rent increases. [GASB-S13:9; GAAFR, page 177]

_____	_____	_____	8.13*	Has the government refrained from reporting <i>deferred revenue</i> in connection with changes in the fair value of investments reported at fair value? [GASB-S31:13, 57; GAAFR, page 124]
_____	_____	_____	8.14	Is a subtotal reported for “total liabilities”?
_____	_____	_____	8.15*	Is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources labeled <i>fund balance</i> ? [GASB-S34:83-4; GAAFR, page 189]
_____	_____	_____	8.15a*	Are the separate categories used to report fund balance limited to the following: nonspendable, restricted, committed, assigned, unassigned? [GASB-S54:5-17]
_____	_____	_____	8.15b	If reported, does the nonspendable fund balance category only include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact? [GASB-S54:6]

Yes No N/A

Explanation: Typically items such as inventories, prepaid items, long-term loans receivable, long-term notes receivable, and property acquired for resale are included in this category. However, if the use of the proceeds from the collection of the long-term loans, long-term notes receivable, and property acquired for resale is restricted, committed, or assigned, then they should be included in the appropriate fund balance classification based on the nature of the constraints placed on the use of the resources. The corpus or principal of a permanent fund is reported in this category because it is legally or contractually required to be maintained intact.

_____ 8.15c If reported, does the **restricted** fund balance classification only include amounts where the constraints placed on the use of the resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation? [GASB-S54:8; GAAFR, page 190]

Explanation: Enabling legislation authorizes the government to assess, levy, charge, or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that a government can be compelled by an external party to use resources created by enabling legislation only for the purposes specified by the legislation

_____ 8.15d If reported, does the **committed** fund balance classification include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's *highest level* of decision-making authority? [GASB-S54:10; GAAFR, pages 190-191]

_____ 8.15e If reported, does the **assigned** fund balance classification only include amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed? [GASB-S54:13; GAAFR, pages 191-192]

Explanation: In these cases the government's intent should be expressed by (a) the governing body itself or (b) a body or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. Further, the authority for making an assignment is not required to be the government's highest level of decision-making authority. It is not possible to report stabilization arrangements in this category even if they meet the definition of an assignment. In other words, if such arrangements do not meet the criteria to be reported as either restricted or committed fund balance the amounts should be included in unrestricted fund balance.[GASB-S54:13-4]

_____ 8.15e1 Does the government refrain from reporting assigned fund balance when either 1) total fund balance less its nonspendable, restricted, and committed components is zero or less or 2) the reporting of an assignment causes a deficit in unassigned fund balance? [GASB-S54:15, 16; GAAFR, page 192]

Explanation: An appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget should be reported as an assignment provided that the assigned amount is no greater than the projected excess of expected expenditures over expected revenues and the assignment does not create or increase a deficit in unassigned fund balance? [GASB-S54:16]

_____ 8.15f Does the government refrain from reporting a positive unassigned fund balance in any individual special revenue, debt service, capital projects, or permanent fund? [GASB-S54:17; GAAFR, page 192]

Explanation: Special revenue, debt service, capital projects, and permanent funds may report a negative unassigned fund balance if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes. However, in such cases assigned fund balance should first be reduced up to the amount of the deficit. If a negative amount remains after this adjustment it should be reported in the unassigned classification [GASB-S54:17]

_____ 8.15g Are stabilization amounts reported in the general fund as restricted or committed only if they meet the criteria for inclusion in that classification? [GASB-S54:21]

Yes No N/A

Explanation: If stabilization arrangements do not meet the criteria to be reported as either restricted or committed they should be reported as unassigned fund balance in the general fund. Further In order to qualify as a stabilization arrangement, the circumstances allowing for the use of the resources must be sufficiently specific and non-routine. [GASB-S54:20-1]

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS**

- | | | | | |
|-------|-------|-------|-------|--|
| _____ | _____ | _____ | 8.16* | Does the format of the statement present items in the following order: revenues; expenditures; excess (deficiency) of revenues over (under) expenditures; other financing sources and uses; special items; extraordinary items; and net change in fund balance? [GASB-S34:86; GAAFR, page 194] |
| _____ | _____ | _____ | 8.17 | Are revenues classified by source? [GASB-S34:87; GAAFR, page 194] |
| _____ | _____ | _____ | 8.17a | Are revenue classifications sufficiently detailed to be meaningful? [Certificate Program policy] |
| _____ | _____ | _____ | 8.17b | Has the government refrained from reporting realized gains and losses on investments separately from unrealized gains and losses? [GASB-S31:13; GAAFR, page 352] |
| _____ | _____ | _____ | 8.18 | Is the government’s recognition of revenues consistent with both GAAP and its policy on availability as disclosed in the SSAP? |
| _____ | _____ | _____ | 8.19 | Are expenditures classified by character (i.e., current, intergovernmental, capital outlay, and debt service)? [NCGA-S1:115; GAAFR, page 195] |
| _____ | _____ | _____ | 8.19a | Are current expenditures further categorized at least by function? [GASB-S34:87; GAAFR, pages 194-195] |
| _____ | _____ | _____ | 8.20 | Has the government refrained from reporting negative investment income as an expenditure (instead of as a revenue)? [Q&A 6.28.6; GAAFR, page 194] |
| _____ | _____ | _____ | 8.21 | Has the government refrained from reporting <i>expenses</i> rather than <i>expenditures</i> (e.g., bad debt expense)? [NCGA-S1:70; GAAFR, page 143] |
| _____ | _____ | _____ | 8.22 | If the government has initiated a capital lease during the period, does it report an <i>other financing source</i> equal to the net present value of the minimum lease payments? [NCGA-S5:14; GAAFR, pages 158-159] |

Explanation: This same treatment would also be appropriate for installment contracts other than capital leases associated with the acquisition of capital assets.

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|-------|-------|-------|-------|---|
| _____ | _____ | _____ | 8.23* | If the government has issued debt during the period that will be repaid with general government resources, does the government report an <i>other financing source</i> equal to the face value of the debt? [GASB-S34:88; GAAFR, pages 156-157 and 162] |
|-------|-------|-------|-------|---|

Explanation: The issuance of debt to be supported by governmental funds must be reflected as an *other financing source* even if the proceeds of the debt are delivered directly to an outside party (i.e., debt-financed grants) or to a proprietary fund (i.e., debt-financed capital contributions).

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|-------|-------|-------|-------|---|
| _____ | _____ | _____ | 8.23a | Has the government reported a separate other financing source for premiums related to its debt issuances? [GASB-S34:88; Q&A 7.66.1; GAAFR, page 157] |
| _____ | _____ | _____ | 8.23b | Has the government reported a separate other financing use for discounts related to its debt issuances? [GASB-S34:88; Q&A 7.66.1; GAAFR, pages 156-157] |

Yes No N/A

Underwriter's fees withheld from proceeds should be reported as expenditures. [GASB-S34:87; GAAFR, pages 156]

- _____ 8.24 Has the government refrained from reporting the issuance of no-commitment special assessment debt as an other financing source? [GASB-S6:19; GAAFR, page 158]
- _____ 8.25* Has the government refrained from reporting an other financing source in connection with the issuance of tax anticipation notes, revenue anticipation notes, grant anticipation notes, bond anticipation notes that do not meet the criteria of GASB-S62:12, and demand bonds that do not qualify as long-term liabilities? [GASB-I1; NCGA-I9:12; GAAFR, pages 474-476 and 175]
- _____ 8.26* Has the government refrained from reporting an other financing source in connection with long-term borrowings within the primary government? [GASB-S34:112a(1); GAAFR, page 157]

Explanation: An other financing source should be reported in connection with a long-term borrowing from a discretely presented component unit, but *not* in connection with a long-term borrowing from another fund of the primary government.

- _____ 8.27* If the government has used a refunding transaction to defease or redeem debt, has it reported the proceeds of the refunding debt as an *other financing source - issuance of refunding bonds*? [GASB-S7:8; GAAFR, pages 473-474]
- _____ 8.27a* If the government has used a refunding transaction to defease debt, has it reported application of the proceeds as an *other financing use - payment to refunded bonds escrow agent*? [GASB-S7:8]
- _____ 8.27b* If the government has used a refunding transaction to redeem debt, has it reported the application of the proceeds as *debt service expenditures*? [GAAFR, pages 473-474]

When assets and liabilities, reported in the governmental funds, are subject to new payment terms in a bankruptcy, the adjustments to those assets and liabilities should be reported as an extraordinary item. [GASB-S58:14]

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND
AND MAJOR SPECIAL REVENUE FUNDS**

- _____ 8.28* If the government has not presented required budgetary comparisons for the general fund and annually budgeted major special revenue funds as RSI, are these comparisons presented as basic governmental fund financial statements? [GASB-S34:130, note 53; GAAFR, page 197] If so:

Explanation: Governments generally have the option of presenting required budgetary comparisons either as a basic governmental fund financial statement or as RSI. However, budgets that exhibit significant perspective differences must always be presented as RSI. GFOA has issued a recommended practice that encourages governments to present required budgetary comparisons as a basic governmental fund financial statement whenever possible.

- _____ 8.28a Is the budgetary comparison titled a *statement* rather than a *schedule*? [GASB-S34:note 53; GAAFR, page 197]
- _____ 8.28b* Are separate budgetary comparisons included for the general fund and each annually budgeted major special revenue fund? [GASB-S34:130; GAAFR, pages 196-197]

Yes	No	N/A		
_____	_____	_____	8.28c*	Has the government refrained from presenting budgetary comparisons for debt service funds, capital projects funds, permanent funds, major special revenue funds without annual budgets, and nonmajor special revenue funds? [GAAFR, pages 196-197]
_____	_____	_____	8.28d*	Does the budgetary statement present the original budget? [GASB-S34:130a; GAAFR, page 197]

Explanation: GAAP define the *original budget* as “the first complete appropriated budget.” Amounts automatically carried over from one budget to the next – such as encumbrances that are subject to automatic re-appropriation – should be included as part of this original budget. Likewise, the original budget should be adjusted to reflect reserves, transfers, allocations, and supplemental appropriations that occur prior to the start of the fiscal year.

_____	_____	_____	8.28e*	Does the budgetary statement present the final amended budget? [GASB-S34:130b; GAAFR, page 197]
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Explanation: The *final amended budget* should reflect the ultimate appropriation authority for the period, even if, as sometimes permitted by law, some or all of the amendments occur after the close of the fiscal period.

_____	_____	_____	8.28f*	Does the budgetary statement present actual data using the budgetary basis of accounting? [GASB-S34:130; GAAFR, page 198]
_____	_____	_____	8.28g	Has the government presented one or more variance columns? [GASB-S34:130; GAAFR, page 198]
_____	_____	_____	8.28g1	Has the government refrained from captioning variance columns as <i>favorable</i> or <i>unfavorable</i> ? [GAAFR, page 198]

**FINANCIAL SECTION – PROPRIETARY FUND
FINANCIAL STATEMENTS**

GENERAL CONSIDERATIONS

_____	_____	_____	9.1*	Has the government included only proprietary fund types (i.e., enterprise funds and internal service funds)? [GAAFR, pages 44-45]
_____	_____	_____	9.2*	Is each major enterprise fund reported in a separate column? [GASB-S34:96 GAAFR, pages 230-231]
_____	_____	_____	9.3*	Are all nonmajor enterprise funds reported in a single column? [GASB-S34:96; GAAFR, page 232]
_____	_____	_____	9.4*	Is a combined total column presented for all enterprise funds? [GASB-S34:96; GAAFR, page 233]
_____	_____	_____	9.4a*	If necessary, is a summary reconciliation provided that ties this total column and the related amount reported for <i>business-type activities</i> in the government-wide financial statements? [GASB-S34:104; GAAFR, page 234]

Explanation: The reconciliation between the statement of revenues, expenses, and changes in net position and the government-wide statement of activities should reconcile the changes in net position, not the total net position.

_____	_____	_____	9.4b	If aggregation in the summary reconciliation obscures the nature of the individual elements of a particular reconciling item, has the government provided a more detailed explanation in the notes to the financial statements? [GASB-S34:104; Q&A 7.57.3; GAAFR, page 234]
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Yes	No	N/A		
_____	_____	_____	9.5*	Is a single column reported for the internal service fund type? [GASB-S34:96; GAAFR, page 231]
_____	_____	_____	9.6	Has the government refrained from using enterprise funds to report activities for which fees and charges are <i>not</i> a revenue source (with the exception of activities previously accounted for in accordance with SGAS 29)? [GASB-S34:67 and 147; GAAFR, page 44] <i>The use of an enterprise fund is mandatory in any of the following situations: 1) the activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity, 2) laws or regulations require that all costs of providing services, including capital costs, be recovered from fees and charges, or 3) fees and charges are designed to recover the costs of the activity, including capital costs. [GASB-S34:67 and 147; GAAFR, page 44]</i>
_____	_____	_____	9.7	Has the government refrained from using an internal service fund to report activities in which the government itself is not the predominant participant? [GASB-S34:68; GAAFR, pages 45 and 223-224]

STATEMENT OF FUND NET POSITION/BALANCE SHEET– PROPRIETARY FUNDS

_____	_____	_____	9.8*	Are assets and liabilities classified as <i>current</i> and <i>long-term</i> ? [GASB-S34:97; <u>GAAFR</u> , page 230]
_____	_____	_____	9.8a	Are restricted assets and liabilities payable from restricted assets reported in the same category? [GAAFR, page 230]
_____	_____	_____	9.9	Do proprietary funds report all debt that they are expected to repay from their own resources, even if the debt is general obligation in character? [NCGA-S1:42; GAAFR, pages 479-480]

Explanation: If debt expected to be repaid from proprietary fund resources is general obligation in character, that fact should be disclosed in the notes to the financial statements.

_____	_____	_____	9.10*	Is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources reported as <i>net position</i> ? [GASB-S34:98, note 40]
_____	_____	_____	9.10a*	Is the net investment in capital assets, correctly calculated? [GASB-S34:33; GAAFR, pages 300-303]

Explanation: The government should calculate the net investment in capital assets, using the following general formula:

Capital assets (including appropriately reported intangible assets)
Plus capital-related deferred outflows of resources
Less accumulated depreciation
Less outstanding principal of capital-related borrowings
Less capital-related deferred inflows of resources
Net investment in capital assets

_____	_____	_____	9.10a1*	Has the government refrained from including financial assets, including interfund loans, in the calculation of the net investment in capital assets? [GASB-S34:33; Q&A 7.23.11; GAAFR, page 300]
_____	_____	_____	9.10a2*	Has the government refrained from including noncapital accrued liabilities (e.g., compensated absences, claims and judgments, landfill closure and postclosure costs) in the calculation of the net investment in capital assets? [GASB-S34:33; GAAFR, pages 300-301]

Yes	No	N/A		
_____	_____	_____	9.10a3*	Has the government refrained from including unspent proceeds from debt in the calculation of the net investment in capital assets? [GASB-S34:33; Q&A 7.23.2; GAAFR, page 300]

_____	_____	_____	9.10a4*	Has the government refrained from including interest payable and the accrued interest on deep discount debt in the calculation of the net investment in capital assets? [Q&A 7.22.9]
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Explanation: Original issue discounts and premiums, however, should be included in the calculation of the net investment in capital assets. Conversely, bond issuance costs should be excluded from the calculation.

_____	_____	_____	9.10a5*	Has the government included debt that refunded capital-related debt in the calculation of the net investment in capital assets? [Q&A 7.23.3]
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Explanation: Deferred amounts on refundings relating to capital-related debt should be included in this calculation. In the case of a crossover refunding, the new debt does not qualify as capital-related debt until the crossover date (i.e., when the old debt is refunded). Accordingly, that debt should not be included in the calculation of the net investment in capital assets, until the crossover date.

_____	_____	_____	9.10a6*	Has the government excluded debt used to finance capital acquisition by parties outside the proprietary funds from the calculation of the net investment in capital assets? [Q&A 7.23.10]
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_____	_____	_____	9.10b	Are only amounts with externally imposed restrictions (e.g., through debt covenants or by grantors) or restrictions imposed by law through constitutional provisions or enabling legislation included in the calculation of restricted net position? [GASB-S34:34; Q&A 7.24.1; GAAFR, page 304]
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Explanation: If liabilities to be paid from assets with restrictions on their use exceed those assets, the excess should affect the unrestricted net position calculation.

If a government has both permanently and temporarily restricted net position, the amount reported for “restricted net position” should be divided between “nonexpendable” (i.e., permanently restricted) and “expendable” (i.e., temporarily restricted) amounts. [GASB-S34:35; GAAFR, page 305]

_____	_____	_____	9.10c*	Is unrestricted net position correctly calculated?
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_____	_____	_____	9.10c1	Does the calculation of unrestricted net position include the net position related to joint ventures? [Q&A 7.25.1]
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_____	_____	_____	9.10d*	Has the government refrained from reporting changes in the fair value of investments as a contra-equity account (instead of including the change as part of <i>investment income</i>)? [GASB-S31:13; GAAFR, page 211]
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STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION/EQUITY – PROPRIETARY FUNDS

_____	_____	_____	9.11*	Does the statement distinguish between operating and nonoperating revenues and expenses? [GASB-S34:100; GAAFR, page 235]
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_____	_____	_____	9.11a	Has the government refrained from including taxes and grants within the operating category? [GASB-S34:102; GAAFR, page 235]
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_____	_____	_____	9.11b	Is <i>operating income/loss</i> reported as a separate line item? [GASB-S34:100]
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_____	_____	_____	9.12	Are revenue and expense classifications sufficiently detailed to be meaningful? [Certificate Program policy]
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Yes	No	N/A
_____	_____	_____

9.13* Has the government reported each of the following items separately: capital contributions, additions to endowments, special items, extraordinary items, and transfers? [GASB-S34:100-101]

_____	_____	_____
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9.14 Has the government refrained from reporting extraordinary gains or losses in connection with refunding transactions that result in the defeasance or redemption of debt? [GASB-S23:4; GAAFR, page 208]

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

_____	_____	_____
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9.15* Does the statement categorize cash flows as follows: *cash flows from operating activities*; *cash flows from noncapital financing activities*; *cash flows from capital and related financing activities*; and *cash flows from investing activities*? [GASB-S9:15; GAAFR, pages 210 and 238]

_____	_____	_____
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9.15a* Are cash flows from operating activities reported by major classes of receipts and disbursements (i.e., the “direct” method)? [GASB-S9:31; GAAFR, pages 211 and 238]

Explanation: At a minimum, the amounts that should be reported separately are receipts from customers, receipts connected with interfund services, payments to suppliers of goods or services, payments to employees for services, and payments connected with interfund services.

_____	_____	_____
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9.15b Has the government refrained from including receipts and payments of interest as *cash flows from operating activities* (except in the case of program loans)? [GASB-S9:58; GAAFR, pages 210 and 238-239]

Explanation: Note the contrast with private-sector practice (i.e., SFAS 95), where *cash flows from operating activities* always include cash flows related to interest revenue and interest expense.

_____	_____	_____
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9.15c Has the government refrained from combining *cash flows from noncapital financing activities* and *cash flows from capital and related financing activities* into a single category for *cash flows from financing activities*? [GASB-S9:53-54; GAAFR, page 238]

Explanation: Note the contrast with private-sector practice, which provides for only a single category to be used for all types of *cash flows from financing activities*.

_____	_____	_____
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9.15d Has the government refrained from reporting disbursements for the acquisition of fund capital assets as *cash flows from investing activities*? [GASB-S9:57a; GAAFR, page 239]

Explanation: Note the contrast with private-sector practice, where payments associated with capital acquisition and construction are reported as *cash flows from investing activities*.

_____	_____	_____
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9.16 Are cash receipts and cash payments generally reported gross rather than net? [GASB-S9:12-14; GAAFR, page 237]

Explanation: In either of the following cases, cash flows may be reported at their *net* rather than their *gross* amounts:

- Items whose turnover is quick, whose amounts are large, and whose maturities are short (certain investments, loans receivable, and debt), provided the original maturity of the asset or liability is three months or less; or
- Governmental enterprises whose assets for the most part are highly liquid investments and that have little or no debt outstanding during the period.

_____	_____	_____
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9.17 Does the figure reported as *cash and cash equivalents* at the end of the period trace to a similar account or accounts on the statement of fund net position/balance sheet? [GASB-S9:8; GAAFR, pages 241-243]

Yes No N/A

Explanation: One of four approaches may be taken to accomplish this objective when *cash and cash equivalents* are included as part of restricted assets:

- Reporting the portion of restricted assets that represents cash and cash equivalents as a separate line item on the statement of position;
- Reporting the amount of cash and cash equivalents included as part of restricted assets parenthetically on the statement of position;
- Reporting the amount of cash and cash equivalents included as part of restricted assets parenthetically on the statement of cash flows; or
- Providing a reconciliation on the face of the statement of cash flows.

_____ 9.18 Is the statement accompanied by a schedule that reconciles *operating income* and *cash flows from operating activities*? [GASB-S9:7; GAAFR, page 241]

Explanation: This reconciliation must be presented either on the face of the statement of cash flows or on the next page. Note disclosure is *not* sufficient to meet the requirement.

_____ 9.19 Is the statement accompanied by information (in narrative or tabular form) concerning investing, capital, or financing activities of the period that affected recognized assets or liabilities but did *not* result in cash flows? [GASB-S9:37; GAAFR, page 241]

Explanation: The required information must be presented either on the face of the statement of cash flows or on the next page. Note disclosure is *not* sufficient to meet the requirement. Also, when a single transaction involves both cash and noncash components, this schedule should clearly describe the cash and noncash aspects of the transaction.

**FINANCIAL SECTION – FIDUCIARY FUND
FINANCIAL STATEMENTS**

GENERAL CONSIDERATIONS

_____ 10.1* Has the government included only fiduciary fund types (i.e., private-purpose trust funds, pension (and other employee benefit) trust funds, investment trust funds, and agency funds)? [GAAFR, pages 46 and 261]

_____ 10.2* Are all funds of a given fund type reported in a single column? [GASB-S34:106; GAAFR, page 261]

Explanation: Only a single column may be presented for each fiduciary fund type. If the fiduciary fund financial statements include data from component units, the data from those units must be included within these fund-type columns.

_____ 10.3* Has the government refrained from using a fiduciary fund to report resources that are available to support the government’s programs? [GASB-S34:69; GAAFR, pages 46 and 251]

Explanation: Fiduciary funds are characterized by the *absence of public benefit*.

_____ 10.4* If the government holds resources in trust for the members and beneficiaries of defined benefit pension plans, defined contribution pension plans, other postemployment benefit plans, deferred compensation plans, or other employee benefit plans, does it use a pension (and other employee benefit) trust fund for that purpose? [GASB-S34:70; GAAFR, page 254]

If the government sponsors an investment pool in which outside parties participate or maintains individual investment accounts for outside parties, it should report this activity in an investment trust fund. [GASB-S34:71; GASB-S31:20; GAAFR, pages 47 and 254-255]

Yes	No	N/A	
_____	_____	_____	
			10.5* If the government reports an investment trust fund, has it refrained from including any of its own resources in that fund? [GASB-S31:14, 18; GAAFR, pages 47 and 254]

STATEMENT OF FIDUCIARY NET POSITION

			10.6 Are assets reported by major category? [GAAFR, page 262]
			10.6a For pension (and other employee benefit) trust funds, are the principal subdivisions of receivables and investments reported? [GASB-S25:21; GASB-S43:19; GAAFR, page 262]
			10.7 Is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources reported as <i>net position</i> ? [GASB-S34:108; GAAFR, page 262]
			10.7a If a pension plan is reported, is a line item reported for <i>assets held in trust for pension benefits</i> ? [GASB-S25:27; GAAFR, page 263]
			10.7b If an OPEB plan is reported, are appropriate amounts identified as <i>assets held in trust for OPEB benefits</i> ? [GASB-S43:25; GAAFR, page 263]
			10.7c If the government uses an investment trust fund to account for an external investment pool that it sponsors, is a line item reported for <i>assets held for pool participants</i> ? [GASB-S31:18; GAAFR, page 263]
			10.8 Do assets equal liabilities in agency funds? [GASB-S34; 110; GAAFR, page 263]
			10.9 Has the government refrained from reporting an actuarial accrued liability in a pension (and other employee benefit) trust fund? [GASB-S25:19a; GAAFR, page 263]

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

			10.10 Is the statement segregated into two sections: additions and deductions? [GASB-S34:109; GASB-S43:26; GAAFR, page 264]
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Explanation: The categories *additions* and *deductions* are significantly broader than *revenues* and *expenses*. While some *additions* may properly be categorized as *revenues* and some *deductions* as *expenses*, others may not. Accordingly, financial statement preparers are advised to avoid the use of the terms *revenues* and *expenses* as much as possible in conjunction with the statement of changes in fiduciary net position.

			10.11 For pension (and other employee benefit) trust funds, are additions classified into the following four categories, as appropriate: employer contributions, plan member contributions, other contributions, and net investment income? [GASB-S25:29; GASB-S43:27; GASB-TB2006-1; GAAFR, pages 264 and 645]
			10.11a Is investment-related expense reported as a separate line item that reduces investment income (instead of as a deduction)? [GASB-S25:29d; GASB-S43:27d; GAAFR, pages 264 and 645]
			10.12 Has the government refrained from reporting realized investment gains or losses separately from unrealized investment gains and losses? [GASB-S31:13; GAAFR, page 352]

Explanation: Investment trust funds may report realized gains and losses separately from unrealized amounts *in their separately issued financial statements*. Otherwise no such distinction may be made on the face of the financial statements. Note disclosure, however, is permitted.

Yes	No	N/A	
_____	_____	_____	
_____	_____	_____	10.13 For pension (and other employee benefit) trust funds, does the deductions section include separate amounts for 1) benefits and refunds paid to plan members and beneficiaries, and 2) total administrative expenses? [GASB-S25:30; GASB-S43:28; GAAFR, page 645]
_____	_____	_____	10.14 Has the government refrained from including agency funds? [GASB-S34:110; GAAFR, pages 263-264]

**FINANCIAL SECTION – SUMMARY OF
SIGNIFICANT ACCOUNTING POLICIES (SSAP)**

_____	_____	_____	11.1* Does the government present a SSAP either as the first of the notes to the financial statements or as a separate item immediately preceding the notes? [NCGA-S1:158; GAAFR, pages 323 and 346]
			<i>Among other matters, the SSAP should address any of the following situations: 1) the selection of an accounting treatment when GAAP permit more than one approach, 2) accounting practices unique to state and local governments, and 3) unusual or innovative applications of GAAP. [GASB-S62:93; GAAFR, pages 323-324]</i>
_____	_____	_____	11.2 If the government reports any fiduciary funds or fiduciary-type component units, does the SSAP disclose the omission of these funds and component units from the government-wide financial statements? [GASB-S34:115a; GAAFR, pages 324-325]
_____	_____	_____	11.3 Does the SSAP discuss the financial reporting entity? [GASB-S14:20-37 and 61; GASB-S61:11a GAAFR, pages 324-325] If so, does that discussion include:
_____	_____	_____	11.3a A description of the component units included in the financial reporting entity? [GAAFR, pages 324-325]
_____	_____	_____	11.3b A description of the relationship between component units and the primary government? [GAAFR, pages 324-325]
_____	_____	_____	11.3c A discussion of the rationale for including each component unit in the financial reporting entity? [GAAFR, pages 324-325]
_____	_____	_____	11.3d A discussion of how component units are reported (i.e., blended, discretely presented, or as a fiduciary fund)? [Q&A 4.39.5, GAAFR, pages 324-325]
_____	_____	_____	11.3e Information on how to obtain the separately issued financial statements of component units? [GAAFR, page 325]
_____	_____	_____	11.4+ If the government itself is a component unit, does the SSAP identify the primary government and describe the nature of the relationship? [GASB-S14:65; GAAFR, page 325]
			<i>The SSAP also should disclose the relationship that exists between the government and any related organizations. [GASB-S14:68; GAAFR, page 387]</i>

Explanation: A “related organization” is one for which the government appoints the voting majority of the board members, but does not have either 1) the ability to impose its will on the organization or 2) a relationship of financial benefit or burden with the organization.

_____	_____	_____	11.5 Does the SSAP disclose the measurement focus and basis of accounting used in preparing the government-wide financial statements? [GASB-S34:115b; GAAFR, page 329]
_____	_____	_____	11.6 Does the SSAP disclose when revenue is considered to be <i>susceptible to accrual</i> in governmental funds? [NCGA-S1:69]

Yes	No	N/A		
_____	_____	_____	11.6a	Does this disclosure specifically identify the availability period used for revenue recognition? [GASB-S38:7; GAAFR, page 329]
_____	_____	_____	11.6b	Does this disclosure specify the major revenue sources that meet the availability criterion? [Certificate Program policy]
_____	_____	_____	11.7	Does the SSAP describe the government’s policy for eliminating internal activity in the government-wide statement of activities? [GASB-S34:115c; GAAFR, pages 326-327]

Explanation: The SSAP should disclose how the government distinguishes overhead costs (which are eliminated in the process of consolidation) from interfund services provided and used between functions (which are *not* eliminated in the process of consolidation).

_____	_____	_____	11.8	Does the SSAP address the government’s accounting policies for capital assets? [GASB-S34:115e; GAAFR, page 332]
_____	_____	_____	11.8a	Does the SSAP disclose the capitalization threshold(s) for capital assets? [GAAFR, page 332]
_____	_____	_____	11.8b	Does the SSAP disclose the method(s) used to calculate depreciation and amortization expense? [GAAFR, page 332]
_____	_____	_____	11.8c	Does the SSAP disclose the estimated useful lives of capital assets? [GASB-S51:16; GAAFR, page 332]

Explanation: The information provided concerning the useful lives of capital assets should be sufficiently detailed to be meaningful. To meet this objective, information on the useful lives of capital assets typically is disclosed separately for each major class of capital assets.

The useful life of an intangible asset that arises from contractual or other legal rights should not exceed the period to which the service capacity of the asset is limited by contractual or legal provisions. Renewal periods related to such rights may be considered in determining the useful life of the intangible asset.

_____	_____	_____	11.8d	If the government has elected to use the modified approach for one or more networks or subsystems of infrastructure assets, does the SSAP describe the modified approach? [GAAFR, page 332]
_____	_____	_____	11.9	Does the SSAP describe the types of transactions that are reported as program revenues? [GASB-S34:115f; GAAFR, pages 336 and 338]
_____	_____	_____	11.10	If the government has allocated indirect costs without using a separate column in the government-wide statement of activities (i.e., because the allocation is automatic), does the SSAP disclose the fact that certain indirect costs are included in the program expense reported for individual functions and activities? [GASB-S34:115f; GAAFR, pages 336 and 338]
_____	_____	_____	11.11	Does the SSAP disclose the government’s policy for defining operating and nonoperating revenues and expenses in proprietary funds? [GASB-S34:115g; GAAFR, pages 337 and 338]
_____	_____	_____	11.12	If cash flows reporting focuses on both <i>cash</i> and <i>cash equivalents</i> , does the SSAP define <i>cash equivalents</i> ? [GASB-S62:93; GAAFR, page 331]

If both restricted and unrestricted resources are to be used for the same purpose (e.g., a construction project), the SSAP should disclose the flow assumption used to determine the portion of expenses paid from restricted resources. [GASB-S34:115h; GAAFR, pages 334 and 335]

Yes No N/A

The notes should disclose the amount of restricted net position that are reported as such because of restrictions imposed by enabling legislation. [GASB-S46:6]

___ ___ ___

11.13 Does the SSAP indicate how investments are valued? [GASB-S62:93; GAAFR, page 331]

If the government takes advantage of the option to report certain investments at amortized cost rather than at fair value, the SSAP should indicate the specific types of investments so valued. [GAAFR, page 334]

If the government uses some basis other than quoted market value to estimate fair value, the methods and significant assumptions used for this purpose should be disclosed. [GASB-S31:15a; GAAFR, page 352]

If the government must estimate the fair value of its position in a governmental external investment pool, the SSAP should disclose both the methods and significant assumptions used for making the estimate and the reason an estimate was needed. [GASB-S31:15e]

If income from investments reported in one fund is assigned directly to another fund, the SSAP should disclose this fact. [GASB-S31:15f; GAAFR, page 352]

___ ___ ___

11.14 Does the SSAP disclose the method used to report inventories and prepaids in governmental funds (i.e., consumption method or purchases method)? [GASB-S 62:93; GAAFR, pages 323-324]

___ ___ ___

11.15 Does the SSAP disclose how inventories are valued? [GASB-S 62:93; GAAFR, page 331]

Explanation: Inventories should be valued at cost in governmental funds. In all other situations, it is appropriate to value inventories at the lower of cost or market.

___ ___ ___

11.15a Does the SSAP disclose the method used to determine the cost of inventories (i.e., specific identification; weighted average; first-in, first-out; last-in, first out)? [GAAFR, page 331]

___ ___ ___

11.16 If the government presents major governmental funds or major enterprise funds, does the SSAP disclose the activities reported in those funds? [GASB-S38:6; GAAFR, pages 327-328]

___ ___ ___

11.16a Except for the general fund, is this description specific to the government rather than generic? [GASB-S38:6; GAAFR, pages 327-328]

___ ___ ___

11.16b If applicable, do the notes disclose the purpose for each major special revenue fund, including the revenues and other resources that are reported in each of those funds? [GASB-S54:32, GAAFR page 328]

___ ___ ___

11.17 If the government presents internal service funds or fiduciary funds, does the SSAP disclose the activities reported in those fund types? [GASB-S38:6; GAAFR, pages 327-328]

___ ___ ___

11.17a Is this description specific to the government rather than generic? [GASB-S38:6; GAAFR, pages 327-328]

___ ___ ___

11.18 Do the notes disclose whether the government considers restricted or unrestricted (the total of committed, assigned, and unassigned fund balance) amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available? [GASB-S54:23c GAAFR, page 333]

Yes	No	N/A	
_____	_____	_____	
_____	_____	_____	11.19 Do the notes disclose whether committed, assigned, or unassigned amounts are considered to have been spent when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used? [GASB-S54:23c, GAAFR, page 333]
_____	_____	_____	11.20 If the government reports a portion of fund balance as committed, do the notes disclose (1) the government’s highest level of decision-making authority and (2) the formal action that is required to be taken to establish, modify or rescind a fund balance commitment? [GASB-S54:23a, GAAFR, page 333]
_____	_____	_____	11.21 If the government reports a portion of fund balance as assigned, do the notes disclose (1) the body or official authorized to assign amounts to a specific purpose and (2) the policy established by the governing body pursuant to which that authorization is given? [GASB-S54:23b, GAAFR, page 333]

FINANCIAL SECTION – NOTE DISCLOSURE (OTHER THAN THE SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PENSION-RELATED DISCLOSURES)

_____	_____	_____	12.1 If the government presents required budgetary comparisons as basic governmental fund financial statements, do the notes either 1) disclose the basis of budgeting, if different from GAAP, or 2) state that GAAP serve as the basis of budgeting? [NCGA-I6:5; GAAFR, page 330]
_____	_____	_____	12.1a If the basis of budgeting differs from GAAP, is a reconciliation provided in the notes (if not presented on the face of the statement)? [NCGA-I10:25; <u>GAAFR</u> , page 198]
_____	_____	_____	12.1a1 Is the reconciliation between GAAP and the basis of budgeting sufficiently detailed? [NCGA-I10:25; GAAFR, page 198]

Explanation: GAAP describe four categories of budget-versus-actual differences: basis differences, timing differences, perspective differences, and entity differences. These categories provide the *minimum level of detail* required by GAAP. That is, if a fund had items from each of these categories, the reconciliation would need to present *at least* four reconciling amounts.

If the government presents required budgetary comparisons as a basic governmental fund financial statement, the notes should disclose excesses of expenditures over appropriations in the general fund and annually budgeted major special revenue funds. [GASB-S34:131, note 56; GAAFR, pages 330-331]

Regardless of whether the government presents required budgetary comparisons as basic governmental fund financial statements or as RSI, the notes to the financial statements should disclose any material violations of the budget. [GASB-S38:44; GASB-S34:254; GAAFR, page 347]

_____	_____	_____	12.2 Do the notes disclose the legal and contractual provisions governing cash deposits with financial institutions? [GASB-S3:65-6; GAAFR, page 350]
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The notes should disclose material violations of these provisions. [GASB-S3:66; GAAFR, page 350]

If the government is exposed to custodial credit risk for its deposits at year end because they are uninsured and 1) uncollateralized, 2) collateralized with securities held by the pledging financial institution, or 3) collateralized with securities held by the pledging financial institution’s trust department or agent but not in the depositor-government’s name, the notes should disclose the amount of the bank balances exposed to custodial credit risk, indicate that they are uninsured, and explain how they are exposed to custodial credit risk. [GASB-S40:8; GAAFR, page 350]

Yes No N/A

Explanation: GAAP formerly required that the bank balance of deposits with financial institutions be categorized into three categories of custodial credit risk. SGAS 40 now requires that only the amount (if any) of uninsured deposits that is 1) uncollateralized, 2) collateralized with securities held by the pledging financial institution, or 3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name, be disclosed.

_____ 12.3 Do the notes disclose the government's policy for custodial credit risk associated with deposits or indicate that it does not have such a policy? [GASB-S40:6; GAAFR, page 350]

Losses on deposits and subsequent recoveries should be disclosed if not visible in the financial statements themselves. [GASB-S3:75; GAAFR, page 350]

If the government participates in an external investment pool and the pool is not registered with the Securities and Exchange Commission, the notes should disclose the nature of any regulatory oversight of the pool and state whether the fair value of its position in the pool is the same as the value of the pool shares. [GASB-S31:15c; GAAFR, page 352]

_____ 12.4 If the government has elected to separately disclose realized and unrealized gains and losses on investments in the notes, has it indicated 1) that the calculation of realized gains and losses is independent of the calculation of the change in the fair value of investments, and 2) that realized gains and losses of the current period include unrealized amounts from prior periods? [GASB-S31:15; GAAFR, page 352]

_____ 12.5 Do the notes disclose the legal and contractual provisions governing investments? [GASB-S3:65-66; GAAFR, page 353]

The notes should disclose material violations of these provisions. [GASB-S3:66; GAAFR, page 353]

If the government is exposed to custodial credit risk for its investments evidenced by securities at year end because they are neither insured nor registered and they are held by either 1) the counterparty or 2) the counterparty's trust department or agent but not in the government's name, the notes should disclose the amount of investments exposed to custodial credit risk, indicate that they are neither insured nor registered, and explain how they are exposed to custodial credit risk. [GASB-S40:8-9]

Explanation: GAAP formerly required that the balance of investments evidenced by securities be categorized into three categories of custodial credit risk. SGAS 40 now requires that only the amount (if any) of uninsured and unregistered investments evidenced by securities that are held by either 1) the counterparty or 2) the counterparty's trust department or agent but not in the government's name, be disclosed.

_____ 12.6 Has the government refrained from providing custodial credit risk disclosures for any investments that are not subject to custodial credit risk because they are *not* evidenced by securities? [GASB-S40:9]

Explanation: Investments that are evidenced by contracts rather than securities (and therefore not subject to custodial credit risk) include venture capital, limited partnerships, open-end mutual funds, participation in investment pools of other governments, real estate, direct investments in mortgages and other loans, annuity contracts, and guaranteed investment contracts.

When a government's investments are exposed to custodial credit risk, credit risk, concentration risk, interest rate risk, or foreign currency risk, the government's policy regarding each such risk should be disclosed (or an indication should be made that the government does not have a policy regarding a risk to which it is exposed). [GASB-S40:6; GAAFR, page 353]

Yes No N/A

Explanation: A government generally should disclose the risks related to its deposits and investments for the primary government as a whole. However, disclosure by governmental and business-type activities, individual major funds, nonmajor funds in the aggregate, and fiduciary fund types would be necessary if risk exposure were significantly greater at one of these levels than for the primary government as a whole.

_____ 12.7 Do the notes disclose the credit ratings (or explain that credit ratings are not available) for investments in debt securities (other than debt issued by or explicitly guaranteed by the U.S. government), as well as for positions in external investment pools, money market funds, bond mutual funds, and other pooled investments of fixed-income securities? [GASB-S40:7; GAAFR, pages 353-354]

_____ 12.7a Do the notes use one of five approved methods (i.e., segmented time distribution, specific identification, weighted average maturity, duration, or simulation model) to disclose interest rate risk for positions in fixed-rate debt securities? [GASB-S40:14-15; GASB-S 59:6; GAAFR, pages 359-360]

Explanation: The method selected for disclosing interest rate risk should be the one most consistent with how the government manages that risk. Further, when the government has a position in some type of pooling arrangement for investment purposes, the disclosure of interest rate risk only applies when the position is in a *debt* investment pool, such as a *bond* mutual fund or external *bond* investment pool, which does not meet the requirements to be reported as a 2a7-like pool.

The notes should disclose any assumptions used in the disclosure of interest rate risk (e.g., timing of cash flows, interest rate changes, or other factors that affect interest rate risk). [GASB-S40:15]

The notes should disclose the terms of any debt investment that cause its fair value to be highly sensitive to interest rate changes (e.g., coupon multipliers, benchmark indices, reset dates, embedded options). [GASB-S40:16; GAAFR, page 360]

The government should disclose the value in U.S. dollars of any investments held at the end of the year denominated in a foreign currency. Separate disclosure is required for each separate currency denomination as well as for each different type of investment within a currency denomination. [GASB-S40:17; GAAFR, page 360]

A government should disclose concentrations of 5 percent or more of net investments in securities of a single organization (other than those issued or explicitly guaranteed by the U.S. government, as well as investments in mutual funds, external investment pools, and other pooled investments). [GASB-S40:11; GAAFR, page 358]

Losses on investments and subsequent recoveries should be disclosed if not visible in the financial statements themselves. [GASB-S3:75; GAAFR, page 355]

The notes should disclose contingent liabilities. [GASB-S10:58 (referenced in 64-5); GAAFR, page 388]

The notes should disclose any guarantees of indebtedness, even if the likelihood of loss is considered to be remote. [GASB-S 62:109; GAAFR, page 389]

_____ 12.8 Do the notes disclose subsequent events? [GASB-S56:8-10; NCGA-I6:4d; GAAFR, page 389]

Explanation: There are two types of subsequent events: recognized and nonrecognized. Recognized subsequent events are those events that provide additional evidence with respect to conditions that existed at the date of the statement of net position and affect the estimates inherent in the process of preparing financial statements. These events require adjustments

Yes No N/A

to the financial statements. Nonrecognized events are those events that provide evidence about conditions that did not exist at the date of the statement of net position but arose subsequent to that date. For example, the issuance of bonds, the creation of a new component unit, or the loss of a government facility as a result of a tornado, fire, or flood. Also, changes in quoted market prices of securities after year end are normally nonrecognized subsequent events because such changes normally result from an evaluation of new conditions arising after year end. Nonrecognized subsequent events require disclosure when their nature is such that they are essential to a user's understanding of the financial statements. It may also be necessary to include a discussion of subsequent events in the MD&A, depending on the facts and circumstances of the event. See italicized comment and explanation preceding checklist question 4.1j

- | | | | | |
|-------|-------|-------|--------|--|
| _____ | _____ | _____ | 12.9 | Do the notes disclose material violations of finance-related legal and contractual provisions? [NCGA-I6:4g; GAAFR, page 347] |
| _____ | _____ | _____ | 12.9a | If a violation is significant, do the notes identify actions that the government has taken to address the violation? [GASB-S38:9; GAAFR, page 347] |
| _____ | _____ | _____ | 12.10 | Do the notes disclose debt service to maturity for all outstanding debt? [NCGA-I6:4h; GASB-S38:10; GAAFR, page 376] |
| _____ | _____ | _____ | 12.10a | Does the disclosure present debt service payments separately for each of the next five years? [GASB-S38:10a; GAAFR, page 376] |
| _____ | _____ | _____ | 12.10b | Are the principal and interest components of debt service presented separately? [GASB-S38:10a; GAAFR, page 376] |

Explanation: In the case of variable-rate debt, the interest rate in effect at the financial statement date should be used to calculate the interest component of debt service payments.

- | | | | | |
|-------|-------|-------|---------|---|
| _____ | _____ | _____ | 12.10c | At a minimum, are debt service payments for subsequent years reported in five-year increments? [GASB-S38:10a; GAAFR, page 376] |
| _____ | _____ | _____ | 12.10d | If the government has variable rate debt outstanding, do the notes disclose the terms by which interest rates change? [GASB-S38:10b; GAAFR, page 376] |
| _____ | _____ | _____ | 12.11 | If the government is the lessee in a capital lease, do the notes disclose that fact? [NCGA-S5:27; GAAFR, page 373-374] If so: |
| _____ | _____ | _____ | 12.11a | Do the notes describe the lease arrangements? [NCGA-S5:27; GAAFR, pages 373-374] |
| _____ | _____ | _____ | 12.11b | Do the notes disclose the gross amount of assets acquired under capital leases by major asset class? [GASB-S 62:223a1; GAAFR, page 374] |
| _____ | _____ | _____ | 12.11c | Do the notes disclose the minimum future lease payments in total and for each of the next five years? [GASB-S38:11; GAAFR, page 376] |
| _____ | _____ | _____ | 12.11c1 | At a minimum, are minimum future lease payments for subsequent years reported in five-year increments? [GASB-S38:11; GAAFR, page 376] |

If the government is the lessee in an operating lease, the notes should describe the general leasing arrangements and current-year rental costs, as well as any contingent rentals. [GASB-S 62:223 c-d; GAAFR, page 374]

If the government is the lessee in a noncancellable operating lease of more than one year, the notes should disclose the future minimum rental payments in total and for each of the next five years. Minimum future lease payments for subsequent years should be reported in five-year increments. GASB-S38:11; GASB-S 62:223b; GAAFR, page 374]

Yes	No	N/A	
_____	_____	_____	12.12 If the government is the lessor in a capital lease, do the notes disclose that fact? [NCGA-S5:27; GAAFR, page 367] If so:
_____	_____	_____	12.12a Do the notes disclose the total future minimum lease payment receivable (reduced by executory costs and uncollectibles)? [GASB-S 62:231a1a; GAAFR, page 367]
_____	_____	_____	12.12b Do the notes disclose the minimum lease payments for each of the five succeeding fiscal years? [GASB-S62:231a2; GAAFR, page 367]
			<i>If the government is the lessor in a capital lease, the notes should disclose, as applicable, 1) any unguaranteed residual value accruing to the government, 2) initial direct costs (direct financing leases only), 3) related liability, and 4) the total of any contingent rentals of the period. [GASB-S62:231a1b-d and 231a3; GAAFR, page 367]</i>
_____	_____	_____	12.13 If the government is the lessor in an operating lease, do the notes disclose both the cost and carrying amount of leased assets and depreciation on those assets? [GASB-S62:231b1; GAAFR, page 367]
_____	_____	_____	12.14 If the government is the lessor in a noncancellable operating lease, do the notes disclose minimum future rentals in the aggregate and for each of the five succeeding fiscal years? [GASB-S62:231b2; GAAFR, page 368]
			<i>When an enterprise fund/ business-type activity has retail land sales operations the notes should disclose: 1) the maturities of accounts receivable for each of the five years following the date of the financial statements, 2) the delinquent accounts receivable and the method(s) for determining delinquency, 3) the weighted average and range of stated interest rates of receivables, 4) the estimated total costs and the estimated dates of outlays for improvements for major areas from which sales are being made over each of the five years following the date of the financial statements, and 5) the recorded obligations for improvements. [GASB-S62:330, GAAFR, page 383]</i>
_____	_____	_____	12.15 If the government has significant commitments (e.g., construction contracts and encumbrances), do the notes disclose them? [NCGA-I6:4j; GASB-S54:24; GAAFR, page 372]

Explanation: The disclosure of encumbrances should be made individually for each major fund and in the aggregate for nonmajor funds.

_____	_____	_____	12.16 Do the notes furnish information on the primary government's capital assets? [GASB-S34:116; GAAFR, page 366]
_____	_____	_____	12.16a Do the notes present all required information separately for each major class of capital assets? [GASB-S34:116; GAAFR, page 366]
_____	_____	_____	12.17b Do the notes report capital assets associated with <i>governmental activities</i> separately from capital assets associated with <i>business-type activities</i> ? [GASB-S34:116; GAAFR, page 366]
_____	_____	_____	12.16c Do the notes report nondepreciable capital assets separately from depreciable capital assets? [GASB-S34:116; GASB-S51:17; GAAFR, page 366]

Explanation: Intangible assets with indefinite useful lives should be reported with nondepreciable capital assets. An intangible asset should be considered to have an indefinite useful life if there are no legal, contractual, regulatory, technological, or other factors that limit the useful life of the asset.

_____	_____	_____	12.16d Do the notes present accumulated depreciation as a separate item? [GASB-S34:117a; GAAFR, page 366]
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Yes No N/A

_____	_____	_____	12.16e	Do the notes disclose changes in capital asset balances (including accumulated depreciation/amortization) during the period? [GASB-S34:117b-c; GAAFR, page 366]
_____	_____	_____	12.16f	Do the notes disclose the amount of depreciation/amortization charged to each governmental function and business-type activity during the period in the government-wide statement of activities? [GASB-S34:117d; GAAFR, page 366]

Explanation: Depreciation/amortization expense of internal service funds that are closed to *governmental activities* need not be allocated by function, but may be reported instead simply as a separate item in its own right.

_____	_____	_____	12.16g	Does the government capitalize interest on qualifying assets for business-type activities and/or enterprise funds? If so, do the notes include:[GASB-S62:3a, <u>GAAFR</u> , page 366]
_____	_____	_____	12.16g1	The amount of interest cost incurred and charged to expense in an accounting period in which no interest cost is capitalized? [GASB-S62:22a, GAAFR, page 366]
_____	_____	_____	12.16g2	The total amount of interest cost incurred during the period and the amount thereof that has been capitalized in an accounting period in which some interest cost is capitalized? [GASB-S62:22b, GAAFR, page 366]

If a capital asset was permanently impaired during the period, the carrying value of that asset should be adjusted to reflect the impairment. The cost of restoration should not be netted against associated insurance recoveries. [GASB-S42:16 and 21; GAAFR, page 457]

If a loss resulted from the impairment of a capital asset and the amount of the loss is not evident on the face of the financial statements, a general description, the amount, and the classification of the loss should be disclosed. [GASB-S42:17; GAAFR, page 367]

The amount and classification of insurance recoveries should be disclosed if not otherwise evident on the face of the financial statements. [GASB-S42:21; GAAFR, page 367]

The carrying amount of capital assets that are idle as of the end of the fiscal period as the result of either a temporary or a permanent impairment should be disclosed. [GASB-S42:20; GAAFR, page 367]

When a government engages in one or more nonmonetary transactions during a period the notes should disclose the nature of the transactions, the basis of accounting for the assets transferred, and gains or losses recognized on transfers. [GASB-S62:280, GAAFR, pages 382-383]

_____	_____	_____	12.17	Do the notes furnish information on the primary government's long-term liabilities? [GASB-S34:119; GAAFR, page 375]
_____	_____	_____	12.17a	Do the notes provide all required information separately for each major class of long-term liabilities? [GASB-S34:116; GAAFR, page 375]
_____	_____	_____	12.17b	Do the notes report long-term liabilities associated with <i>governmental activities</i> separately from long-term liabilities associated with <i>business-type activities</i> ? [GASB-S34:116; GAAFR, page 375]

Yes	No	N/A		
_____	_____	_____	12.17c	Do the notes report separately the portion of each long-term liability that is due within one year of the date of the statement of net position? [GASB-S34:119c; GAAFR, page 375]
_____	_____	_____	12.17d	Do the notes disclose which governmental funds typically have been used in prior years to liquidate long-term liabilities other than debt? [GASB-S34:119d; GAAFR, page 376]
_____	_____	_____	12.17e	Do the notes disclose changes in long-term liability balances during the period? [GASB-S34:119; GAAFR, page 375]
_____	_____	_____	12.17e1	Do the notes report these changes gross rather than net? [GASB-S34:119b; GAAFR, page 375]
_____	_____	_____	12.18	Do the notes disclose any material deficit in an individual fund that is not visible on the face of the basic financial statements? [NCGA-S1:158; GAAFR, page 348]
_____	_____	_____	12.19	Do the notes provide information on interfund balances and transfers? [GASB-S38:14-5; GAAFR, pages 381 and 384] If so:
_____	_____	_____	12.19a	Do the notes disclose the amounts due from other funds by individual major fund, nonmajor governmental funds in the aggregate, nonmajor enterprise funds in the aggregate, internal service funds in the aggregate, and fiduciary fund type? [GASB-S38:14a; GAAFR, page 381]
_____	_____	_____	12.19b	Do the notes disclose the purpose of interfund balances? [GASB-S38:14b; GAAFR, page 381] <i>The government should disclose interfund balances that are not expected to be repaid within one year from the date of the financial statement. [GASB-S38:14c; GAAFR, page 381]</i>
_____	_____	_____	12.19c	Do the notes disclose amounts transferred from other funds by individual major fund, nonmajor governmental funds in the aggregate, nonmajor enterprise funds in the aggregate, internal service funds in the aggregate, and fiduciary fund type? [GASB-S38:15a; GAAFR, page 384]
_____	_____	_____	12.19d	Do the notes disclose the principal purposes of interfund transfers? [GASB-S38:15b; GAAFR, page 384] <i>The notes should disclose the intended purpose and amount of significant transfers that do not occur on a routine basis or are inconsistent with the activities of the fund making the transfer. [GASB-S38:15c; GAAFR, page 384]</i> <i>The notes should disclose any significant transactions between the primary government and its discretely presented component units. [NCGA-I6:5 (related party transactions); GAAFR, page 382]</i>
_____	_____	_____	12.20	If the government has been the recipient of an endowment, do the notes describe the endowment? [GASB-S34:121; GAAFR, page 383] If so:
_____	_____	_____	12.20a	Do the notes disclose the amounts of net appreciation on investments that are available for expenditure? [GASB-S34:121a; GAAFR, page 383]
_____	_____	_____	12.20b	Do the notes explain how available amounts are reflected in net position? [GASB-S34:121a; GAAFR, page 383]

Yes	No	N/A		
_____	_____	_____	12.20c	Do the notes disclose the state law governing the ability to spend net appreciation? [GASB-S34:121b; GAAFR, page 383]
_____	_____	_____	12.20d	Do the notes disclose the policy for authorizing and spending investment income? [GASB-S34:121c; GAAFR, page 383]
_____	_____	_____	12.21	Do the notes discuss the government’s risk financing activities? [GASB-S10:77; GAAFR, page 372-373] If so:
_____	_____	_____	12.21a	Do the notes describe the types of risk faced by the government? [GASB-S10:77a; GAAFR, page 372]
_____	_____	_____		12.22a1 Do the notes describe how each type of risk is being handled? [GASB-S10:77a; GAAFR, page 372]
				<i>If there has been any significant reduction in insurance coverage from the previous year, this reduction should be disclosed by risk category. [GASB-S10:77b; GAAFR, page 372]</i>
_____	_____	_____	12.21b	Do the notes indicate <i>whether</i> the amount of settlements exceeded insurance coverage in each of the past three years? [GASB-S10:77b; GAAFR, page 372]
_____	_____	_____	12.21c	If the government participates in a risk pool, do the notes describe the arrangement? [GASB-S10:77c; GAAFR, page 373]
_____	_____	_____	12.21c1	Do the notes specifically address the rights and responsibilities of both the government and the pool? [GASB-S10:77c; GAAFR, page 373]
_____	_____	_____	12.21d	If the government retains some risk of loss, do the notes mention this fact? [GASB-S10:77d; GAAFR, page 373] If so:
_____	_____	_____	12.21d1	Do the notes describe what the liability for unpaid claims represents and how it is calculated? [GASB-S30:10; GAAFR, page 373]
_____	_____	_____	12.21d1a	Do the notes mention whether nonincremental claims adjustment expenses have been included as part of the liability for claims and judgments? [GASB-S30:10; GAAFR, page 373]
				<i>If the government exercises its option to discount claims liabilities or has entered into any structured settlements, the notes should disclose the nondiscounted carrying amount of any liabilities reported at a discounted value and the range for interest rates used for discounting. [GASB-S10:77d(2); GAAFR, page 373]</i>
				<i>If claims have been defeased through annuity contracts, this fact should be disclosed. [GASB-S10:77d(3); GAAFR, page 373]</i>

Explanation: *This requirement does not apply if beneficiaries have signed an agreement releasing the government from all further obligation and the likelihood of further payments is considered to be remote.*

_____	_____	_____	12.21e	Do the notes provide a tabular reconciliation of the claims liability? [GASB-S10:77d(4); GAAFR, page 373]
_____	_____	_____	12.21e1	Does the reconciliation distinguish 1) claims liability at the beginning of the period, 2) claims incurred during the period, 3) changes in the estimate for claims of prior periods, 4) payments on claims, 5) other,

Yes No N/A

and 6) claims liability at the end of the period? [GASB-S10:77d(4); GAAFR, page 373]

_____ 12.21e2

Is this information provided for each of the two most recent fiscal periods? [GASB-S10:77d(4); GAAFR, page 373]

Explanation: For example, a report for the fiscal year ended December 31, 2012, would need to provide: 1) a reconciliation of the amounts reported at December 31, 2012, and December 31, 2011, and 2) a reconciliation of the amounts reported at December 31, 2011, and December 31, 2010.

_____ 12.22 If the government sponsors a public-entity risk pool, does it either 1) refer readers to the separately issued report of the pool or 2) provide all of the note disclosures required for public-entity risk pools? [GASB-S10:78; GAAFR, pages 671-672]

Explanation: In the absence of a separately issued pool report, the sponsoring government must include all of the disclosures that a pool normally is required to present within its own report. Those disclosures are as follows:

- A description of the pooling arrangement that includes the rights and responsibilities of the pool and pool participants and the number and types of entities participating;
- The basis for estimating claims liabilities;
- Information on acquisition costs;
- The face amount and carrying amount of any claims liabilities reported at present value, including the range of interest rates used to discount those liabilities;
- Statement of whether investment income is considered in determining premium deficiencies;
- Nature of excess insurance or reinsurance transactions and their significance to the pool's operations. These transactions include type of coverage and reinsurance premiums ceded, as well as estimated amounts that are recoverable from excess insurers and reinsurers *and* that reduce the liabilities as of the date of the statement of position for unpaid claims and claim adjustment expenses;
- Reconciliation of total claims liabilities for the current and prior fiscal year in the following tabular format:
- Unpaid claims and claim adjustment expenses, beginning of year;
- Incurred claims and claim adjustment expenses;
- Payments;
- Other (describe if material);
- Unpaid claims and claim adjustment expenses, end of year.

Furthermore, if annuity contracts are purchased in the name of the claimant and the related liabilities have been removed from the statement of position, the aggregate outstanding amount of the defeased claims liabilities should be reported in the notes. This requirement does not apply, however, if annuity contract beneficiaries have signed an agreement releasing the government from further obligation and the likelihood of further payments is remote. The notes also should provide information on the nature and amount of contingent losses. This disclosure normally is required when there is at least a reasonable possibility that a loss has been incurred, but the loss does not meet the criteria for accrual (the loss is not probable and measurable).

If the government is an insurance entity or reports an insurance entity, other than a public entity risk pool, the notes should disclose 1) the basis for estimating the liabilities for unpaid claims and claim adjustment expenses [GASB-S62:429a], the nature of acquisition costs capitalized, the method of amortizing those costs, and the amount of those costs amortized for the period [GASB-S62:429b], the carrying amount of liabilities for unpaid claims and claim adjustment expenses relating to contracts that are presented at present value in the financial statements and the range of interest rates used to discount those liabilities [GASB-S62:429c], whether the insurance enterprise considers anticipated investment revenue in determining if a premium deficiency exists [GASB-S62:429d], the nature and significance of reinsurance transactions to the insurance enterprise's operations, including reinsurance premiums assumed and ceded, and estimated amounts that are recoverable from reinsurers and that reduce the liabilities for unpaid claims and claim adjustment expenses [GASB-S62:429e], and the relative percentage of participating insurance, the method of accounting for policyholder

Yes No N/A

dividends, the amount of dividends, and the amount of any additional revenue allocated to participating policyholders. [GASB-S62:429f]

12.23 If property taxes are a major revenue source, do the notes provide information on the property tax calendar (i.e., lien dates, levy dates, due dates, and collection dates)? [NCGA-I3:11; GAAFR, pages 336-337]

12.24 If the government's enterprise funds encompass one or more segments, do the notes disclose the types of goods or services provided by the segment? [GASB-S34:122a; GAAFR, page 384]

12.24a Does the government report condensed financial data for segments that are not also major funds? [GASB-S34:122b-d; GAAFR, page 385] If so:

12.24a1 Do the notes present a condensed statement of net position for each segment? [GASB-S34:122b; GAAFR, page 385]

12.24a2 Do the notes present a condensed statement of revenues, expenses, and changes in net position/equity for each segment? [GASB-S34:122c; GAAFR, page 385]

12.24a3 Do the notes present a condensed statement of cash flows for each segment? [GASB-S34:122d; GAAFR, page 385]

12.25+ If the government has engaged in short-term debt activity during the year (e.g., anticipation notes, use of lines of credit), *even if no short-term debt is outstanding at the end of the fiscal period*, has the government discussed this fact? [GASB-S38:12; GAAFR, pages 374-375] If so:

12.25a Has the government provided a schedule of changes in short-term debt (i.e., beginning of period balance, increases, decreases, end of period balance)? [GASB-S38:12a; GAAFR, page 374]

12.25b Has the government provided an explanation of the purpose for which the debt was issued? [GASB-S38:12b; GAAFR, page 374]

12.25c If at the end of the year the balance of the short-term obligation is not reported as a current liability because it is expected to be refinanced do the notes include a general description of the financing agreement and the terms of any new obligation incurred or expected to be incurred as a result of a refinancing? [GASB-S62:38, GAAFR page 374]

If the government engaged in material related party transactions the notes should disclose:

- *The nature of the relationship(s) involved? [GASB-S62:55a; GAAFR, page 388]*
- *A description of the transactions, including transactions to which no amounts or nominal amounts were ascribed, for each of the periods for which financial statements are presented, and such other information deemed necessary to gain an understanding of the effects of the transactions on the financial statements? [GASB-S62:55b; GAAFR, page 388]*
- *The dollar amounts of transactions for each of the periods for which financial statements are presented and the effects of any change in the method of establishing the terms from that used in the preceding period? [GASB-S62:55c; GAAFR, page 388]*
- *Amounts due from or to related parties as of the date of each statement of net position presented and, if not otherwise apparent, the terms and manner of settlement? [GASB-S62:55d; GAAFR, page 388]*

Yes No N/A

Examples of related party transactions include:

- Borrowing or lending on an interest-free basis or at a rate of interest significantly different than rates in effect at the transaction date;
- Selling real estate at a price that differs significantly from its appraised value;
- Exchanging property for similar property in a nonmonetary transaction, or
- Making loans with no scheduled repayment terms.

_____ 12.26 If the government participates in a joint venture, do the notes disclose this fact? [GASB-S14:75; GAAFR, page 387] If so:

_____ 12.26a Do the notes describe the nature of any ongoing financial interest or responsibility resulting from participation in the joint venture? [GASB-S14:75a(1); GAAFR, page 387]

_____ 12.26b Do the notes provide information on how to obtain the financial statements of the joint venture? [GASB-S14:75a(2); GAAFR, page 387]

_____ 12.26c Do the notes provide information designed to allow the reader to evaluate whether the joint venture is accumulating significant financial resources or is experiencing fiscal stress that may cause an additional financial benefit to or burden on the participating government in the future? [GASB-S14:75a(1); GAAFR, page 387]

If the government participates in a jointly governed organization, the notes should provide any relevant information on related party transactions. [GASB-S14:77; GAAFR, page 387]

_____ 12.27 If the government undertook a refunding during the period that either defeased or redeemed the refunded debt, do the notes disclose this fact? [GASB-S7:11-14;GAAFR, page 377]

_____ 12.27a Do the notes provide a brief description of the refunding transaction(s)? [GASB-S7:11; GAAFR, page 377]

_____ 12.27b Do the notes disclose the aggregate difference in debt service between the refunding debt and the refunded debt? [GASB-S7:11; GAAFR, page 377]

_____ 12.27c Do the notes disclose the economic gain or loss on the transaction? [GASB-S7:11; GAAFR, page 377]

The notes should disclose the amount of any outstanding in-substance defeased debt. [GASB-S7:14; GAAFR, page 378]

When information about the components of deferred outflows of resources or deferred inflows of resources are obscured by aggregation on the face of the financial statements the details of the different types of deferred amounts should be disclosed in the notes to the financial statements. Further, if the difference between recognized deferred outflows of resources or deferred inflows of resources and the balance of the related asset or liability is significant, the notes should provide an explanation of that effect on the government's net position.[GASB-S63:13-14, GAAFR, page 380]

_____ 12.28 Do the notes provide information on the nature of the major purposes for restricted, committed or assigned fund balance not described on the face of the governmental funds balance sheet? [GASB-S54:25, GAAFR, page 380]

Explanation: The government can provide the necessary detail for the categories of fund balance through the display of the information on the face of the financial statements, through disclosures in the notes to the financial statements or

Yes No N/A

through a combination of these two. In other words, the government may display the specific purpose details for some classifications on the face of the financial statements and disclose the details for other classifications in the notes to the financial statements.

_____	_____	_____	12.28a	If applicable, is the detail for the two types of nonspendable fund balance (not in spendable form and legally or contractually required to be maintained intact) disclosed? [GASB-S54:25, GAAFR, page 380]
_____	_____	_____	12.28b	If a government has established a stabilization arrangement do the notes disclose 1) the authority for establishing the arrangement, 2) the requirements for additions to the stabilization amount, 3) the conditions under which stabilization amounts may be spent, and 4) the stabilization balance, if not apparent on the face of the financial statements. [GASB-S54:26, GAAFR, page 380]

Explanation: If stabilization arrangements do not meet the criteria to be reported as either restricted or committed they should be reported as unassigned fund balance in the general fund. In order to qualify for reporting as restricted or committed the circumstances allowing for the use of the stabilization resources must be sufficiently specific and non-routine. Regardless of the category of fund balance that reports the resources related to a stabilization arrangement, the above disclosures must be made. [GASB-S54:20-1]

_____	_____	_____	12.29	If the governing body has formally adopted a minimum fund balance policy, do notes describe the policy established by the government that sets forth the minimum amount? [GASB-S54:27, GAAFR, page 380]
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If interfund balances between governmental funds and interfund balances between proprietary funds are not eliminated in a separate column in the fund financial statements, the notes should disclose that such amounts are not included in the government-wide statement of net position. [GAAFR, page 381]

If bond anticipation notes are classified as long-term obligations on the basis of a financing agreement, the notes should disclose the details of the arrangement, as well as the terms of any new obligation incurred or expected to be incurred as a result of the refinancing. [GASB-S 62:44; GAAFR, page 378]

If the primary government has a component unit with a different fiscal year end, the notes should explain any resulting disparities (e.g., discrepancies between related receivable and payable amounts). [GASB-S14:60; GAAFR, page 327]

If the government participated in a reverse repurchase agreement during the period, the notes should provide all of the disclosures required by GAAP. [GASB-S3:63, 76-80, GASB-I3:6; GAAFR, pages 364 - 365]

Explanation: *The notes should disclose all of the following information regarding reverse repurchase agreements:*

- *The relevant legal or contractual provisions;*
- *Reverse repurchase agreements in force at the end of the period;*
- *The source of legal or contractual authorization;*
- *Whether the maturities of the investments made with the agreements' proceeds generally are matched to the agreements' maturities, as well as the extent of such matching at the end of the fiscal period;*
- *Either 1) the fair value of the securities to be repurchased as of the end of the fiscal year and the terms of the agreement (for yield-type agreements) or 2) credit risk (for all other types of agreements).*

The notes should disclose any losses recognized during the period due to default and any amounts recovered from prior period losses (if not visible on the face of the financial statements). The notes also should disclose any significant violation of legal or contractual provisions.

If the government participated in a securities lending arrangement during the period, the notes should provide all of the disclosures required by GAAP. [GASB-S28:11-15;

Yes No N/A

GAAFR, pages 365-366]

Explanation: *The notes should disclose all of the following information regarding securities lending arrangements:*

- *The source of legal or contractual authorization;*
- *The types of securities on loan;*
- *The types of collateral received;*
- *The ability to pledge or sell collateral securities without a default;*
- *The amount by which collateral is to exceed the amount of securities;*
- *The carrying amount and fair value of securities on loan;*
- *Whether the maturities of the investments made with cash collateral generally match the maturities of securities loans and the extent of such matching as of the end of the fiscal year;*
- *Credit risk or the absence of credit risk.*

The notes also should disclose 1) any significant violations of legal or contractual provisions, 2) any restrictions on the amount of securities that may be lent, and 3) any losses of the period resulting from default and any recoveries of prior period loss.

If loss indemnification is to be provided by agents, the notes should disclose this fact.

_____ 12.30 If the government has issued special assessment debt for which it is obligated in some manner, do the notes discuss this debt? [GASB-S6:20; GAAFR, page 377] If so:

_____ 12.30a Do the notes disclose the nature of the government's obligation? [GASB-S6:20; GAAFR, page 377]

Explanation: This disclosure should identify and describe any guarantee, reserve, or sinking fund established to cover defaults by property owners.

_____ 12.30b Do the notes disclose the amount of delinquent special assessments receivable (if not discernable on the face of the financial statements)? [GASB-S6:20; GAAFR, page 377]

_____ 12.31 If the government has issued special assessment debt for which it is not obligated in any manner, do the notes discuss this debt? [GASB-S6:21; GAAFR, page 377] If so:

_____ 12.31a Do the notes disclose the amount of the debt? [GASB-S6:21; GAAFR, page 377]

_____ 12.31b Do the notes disclose that the government is acting only as an agent and is in no way liable for the debt? [GASB-S6:21; GAAFR, page 377]

_____ 12.32 If the government has demand bonds outstanding at the end of the fiscal period, do the notes provide all of the disclosures required by GAAP? [GASB-I1:11; GAAFR, page 378]

Explanation: The notes should disclose all of the following information regarding demand bonds:

- The terms of any letters of credit or other liquidity facilities outstanding;
- Commitment fees to obtain the letters of credit and any amounts drawn on them outstanding as of the end of the fiscal year;
- The take-out agreement, including its expiration date, commitment fees to obtain the take-out agreement, and the terms of any new obligation incurred or expected to be incurred as a result of the take-out agreement;
- Debt service requirements to maturity that would result if the take-out agreement were exercised.

_____ 12.33 If a government is legally responsible for closure and postclosure care costs associated with a municipal solid-waste landfill, do the notes discuss this responsibility? [GASB-S18:17; GAAFR, page 379] If so:

Yes	No	N/A		
_____	_____	_____	12.33a	Do the notes disclose the nature and source of landfill closure and postclosure care requirements? [GASB-S18:17a; GAAFR, page 379]
_____	_____	_____	12.33b	Do the notes explain that the cost of landfill closure and postclosure care is allocated based on landfill capacity used to date? [GASB-S18:17b; GAAFR, page 379]
_____	_____	_____	12.33c	Do the notes disclose the liability for landfill closure and postclosure care costs (if not visible on the face of the basic financial statements)? [GASB-S18:17c; GAAFR, page 379]
_____	_____	_____	12.33d	Do the notes disclose the portion of the estimated total obligation for landfill closure and postclosure care costs that has not yet been recognized in the financial statements? [GASB-S18:17c; GAAFR, page 379]
_____	_____	_____	12.33e	Do the notes disclose the percentage of the landfill's total capacity that has been used to date? [GASB-S18:17d; GAAFR, page 379]
_____	_____	_____	12.33f	Do the notes disclose the estimated remaining life of the landfill in years? [GASB-S18:17d; GAAFR, page 379]
_____	_____	_____	12.33g	Do the notes state that the total current cost of landfill closure and postclosure care is an estimate and subject to changes resulting from inflation, deflation, technology, or changes in applicable laws or regulations? [GASB-S18:17f; GAAFR, page 379]
				<i>If there are financial assurance requirements, the notes should disclose how they are being met. [GASB-S18:17e; GAAFR, page 379]</i>
				<i>The notes should disclose any assets restricted for the payment of closure and postclosure care costs that are not discernable on the statement of position. [GASB-S18:17e; GAAFR, page 379]</i>
_____	_____	_____	12.34	If the government as an employer benefits from on-behalf payments of fringe benefits and salaries for its employees, do the notes disclose the amounts recognized during the period? [GASB-S24:12; GAAFR, page 382]

Explanation: An employer can benefit from payments for various types of fringe benefits. The types of such benefits include pension contributions and health and life insurance premiums. Also included in this category are certain payments from the federal government under Medicare Part D for prescription drug coverage that a state or local government employer provides to its retirees. However, not all Medicare Part D payments qualify for treatment as on-behalf payments. Generally, only those payments that are made to a multiple-employer other postemployment benefit (OPEB) plan do. Payments that an employer receives directly, such as those related to a single-employer OPEB plan, are properly reported as voluntary nonexchange transactions.

_____	_____	_____	12.34a	If on-behalf benefits take the form of contributions to a pension plan for which the employer is not legally responsible, do the notes disclose the name of the pension plan and the name of the entity that makes the contributions? [GASB-S24:12; GAAFR, page 382]
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If the government has issued conduit debt, the notes should provide all of the disclosures required by GAAP. [GASB-I2:3; GAAFR, page 379]

Explanation: *The disclosure should include 1) a general description of conduit debt transactions, 2) the aggregate amount of all conduit debt obligations outstanding at the end of the period, and 3) a clear indication that the issuer has no obligation for the debt beyond the resources provided by related leases or loans.*

Yes No N/A

If the government sponsors an external investment pool, it should either 1) refer readers to the separately issued report of the pool or 2) provide all of the note disclosures required for governmental external risk pools. [GASB-S31:19; GAAFR, page 367]

Explanation: *In the absence of a separately issued pool report, the sponsoring government must include all of the disclosures that a pool normally is required to present within its own report. Those disclosures are as follows:*

- *Methods and assumptions used to estimate fair value;*
- *Application of the amortized cost option;*
- *An explanation of realized and unrealized gains/losses (if separate amounts are presented on the face of the financial statements or disclosed in the notes to the financial statements);*
- *Description of regulatory oversight (including whether the pool is registered with the SEC as an investment company);*
- *Frequency and purpose of fair value determinations;*
- *Method used to determine participants' shares sold and redeemed and whether that method differs from the method used to report investments;*
- *Whether legally binding guarantees of share values were provided or obtained;*
- *Extent of involuntary participation in the pool;*
- *Summary of fair value, carrying amount (if different), number of shares and principal amount, ranges of interest rates, and maturity dates for each major investment classification; and*
- *If a distinction is made among different components of investment income, the accounting policy for defining those components.*

If the government has included any portion of interest expense as part of direct program costs of the governmental functions in the government-wide statement of activities, the notes should disclose the amount of interest expense so reported. [GASB-S34:46; GAAFR, page 381]

If the government has elected not to capitalize a collection (e.g., art, historical artifacts), the notes should describe the collection and explain the reasons the government has elected not to capitalize it. [GASB-S34:118; GAAFR, pages 366-367]

_____ 12.35 If the government reports restricted assets, do the notes disclose the detail of restricted asset accounts (i.e., both purpose and amount) if this detail is not provided on the face of the statement of position? [GAAFR, page 234]

_____ 12.36 Do the notes address the detail of individual long-term debt issues? [GAAFR, page 375]

Explanation: *Such detail could include: 1) purpose for which the debt was issued; 2) original amount; 3) type (e.g., general obligation bonds, revenue bonds); 4) summary of related bond covenants; 5) installment amounts; 6) interest rates; 7) range of maturities; and 8) applicability of federal arbitrage regulations.*

If the government is subject to a legal debt margin, the notes could disclose information on the legal debt limit. [GAAFR, page 376]

If the government is authorized to issue debt that has not yet been issued, the notes could disclose this fact. [GAAFR, page 376]

_____ 12.37 If the government reports a prior-period adjustment or a change in accounting principle, do the notes explain the nature of the adjustment or change and the cumulative effect of the adjustment or change? [GASB-S62:62; GAAFR, page 348]

Explanation: *When financial statements for only a single period are presented, the disclosure should indicate the effects of such restatement on the balance of net position at the beginning of the period and on the change in net position of the immediately preceding period. When financial statements for more than one period are presented, the disclosure should include the effects for each of the periods included in the statements.*

If the significant components of receivables and payables (e.g., amounts related to taxpayers, other governments, vendors, customers, beneficiaries, employees) have been

Yes No N/A

obscured by aggregation on the face of the financial statements, the notes should provide the missing detail. [GASB-S38:13; GAAFR, page 366]

The government should disclose if significant balances of receivables are not expected to be collected within one year of the end of the fiscal period. [GASB-S38:13; GAAFR, page 366]

If the government reports significant mortgage banking activities the notes should disclose 1) the method used in determining the lower of cost or fair value of mortgage loans (i.e., aggregate or individual loan basis), 2) the amount capitalized during the period in connection with acquiring the right to service mortgage loans, 3) the method of amortizing the capitalized amount, and 4) the amount of amortization for the period. [GASB-S62:473-474, GAAFR, page 368]

If the government incurred an obligation for termination benefits (for either voluntary or involuntary terminations) during the current period, the notes should include the required disclosures. [GASB-S47:18-21, GAAFR, page 372]

Explanation: The disclosures should include a description of the termination benefit arrangement(s). The description of the termination benefits arrangement(s) could include:

- *The type of benefits provided (e.g., healthcare);*
- *The number of employees affected; and*
- *The time period over which the government expects to provide the benefits.*

(The description should also be provided in subsequent periods in which employees provide services to receive benefits under an involuntary plan of termination that occurred in a prior period.)

The notes should disclose the cost of the termination benefits if not otherwise visible on the face of the financial statements.

The notes should also disclose the change in the actuarial accrued liability of a defined benefit pension or OPEB plan that results from the inclusion of termination benefits in the benefit plan.

If healthcare-related benefits are provided in an age-related termination program, the implicit rate subsidy related to benefits provided under the Consolidated Omnibus Budget Reconciliation Act (COBRA) should be reported and disclosed as a termination benefit.

If the government reports liabilities for termination benefits that were incurred in the current or prior period(s), the notes should disclose the following significant items used to determine the liability: 1) methods (e.g., are amounts reported at their discounted present values) and 2) assumptions (e.g., the healthcare cost trend rate and, if applicable, the discount rate). [GASB-S47:20, GAAFR, page 372]

_____	_____	_____	12.38	If the government does not report a liability for termination benefits that meet the recognition criteria because the amount is not reasonably estimable, do the notes disclose this fact? [GASB-S47:21, GAAFR, page 382]
_____	_____	_____	12.39	If the government has pledged future revenues, do the notes include the required disclosures? [GASB-S48:21, GAAFR, pages 376-377]
_____	_____	_____	12.39a	Do they disclose the specific revenue pledged and the approximate amount of the pledge, if determinable? [GAAFR, page 376]
_____	_____	_____	12.39b	Do they disclose the general purpose of the debt secured by the pledged revenue? [GAAFR, page 376]
_____	_____	_____	12.39c	Do they disclose the term of the commitment (i.e., the period during which the revenue will not be available)? [GAAFR, page 376]

Yes	No	N/A		
_____	_____	_____	12.39d	Do they disclose the relationship of the pledged amount to the total for that specific revenue (e.g., the proportion of the specific revenue stream that has been pledged), if determinable? [GAAFR, page 376]
_____	_____	_____	12.39e	Do they include a comparison of the pledged revenues recognized during the period to the principal and interest requirements for the debt directly or indirectly collateralized by those revenues? [GAAFR, page 377]
				<i>If during the current fiscal year the government had a transaction that qualifies as a sale of future revenues, the notes should disclose: 1) the specific revenue sold, including the approximate amount, if determinable, 2) the period to which the sale applies, and 3) the relationship of the amount sold to the total for that specific revenue (e.g., the proportion of the specific revenue stream that has been sold), if determinable. [GASB-S48:22]</i>
_____	_____	_____	12.40	Has an obligating event occurred that requires the government to attempt to accrue a liability for pollution remediation?

Explanation: Upon occurrence of any of the following events a government should attempt to accrue a liability for its pollution remediation obligation:

- The government is compelled to take remediation action because pollution creates an imminent endangerment to public health or welfare or the environment, leaving the government little or no discretion to avoid remediation action;
- The government is in violation of a pollution prevention-related permit or license;
- The government is named, or evidence indicates that it will be named, by a regulator as a responsible party or potentially responsible party for remediation, or as a government responsible for sharing costs;
- The government is named, or evidence indicates that it will be named, in a lawsuit to compel the government to participate in remediation (lawsuits that are substantially the same as those previously deemed as having no merit within the relevant jurisdiction are excluded);
- The government commences, or legally obligates itself to commence, cleanup activities, or monitoring or operation and maintenance of the remediation effort.

When one of the above events has occurred but the amount of the pollution remediation obligation is not reasonably estimable, the government does not need to report a liability. Instead, a disclosure providing a general description of the nature of the pollution remediation activities should be made.

_____	_____	_____	12.40a	Do the notes disclose that the government has recognized a liability for its pollution remediation obligation? [GASB-S49:23] If so, do the disclosures include: [GAAFR, pages 379-380]
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Explanation: Generally, on an accrual basis, pollution remediation obligations should be reported as an expense when the government recognizes a liability. However, a government should report capital assets (rather than expenses) when pollution remediation outlays are made in the following circumstances:

- To prepare property in anticipation of a sale (capitalization is limited to the estimated fair value that the capital asset will have at the completion of the pollution remediation),
- To prepare property for its intended use when at its acquisition it was known or suspected that the property had pollution that would require remediation (capitalization is limited to outlays necessary to place the asset into its intended location and condition for use),
- To restore a pollution-caused decline in the service utility of property that was recognized as an asset impairment (capitalization is limited to outlays necessary to place the asset into its intended location and condition for use), and
- To acquire property, plant, and equipment with a future alternative use (capitalization is limited to amounts that are estimated to have service utility after the completion of the pollution remediation activities).

The government must calculate the liability using the expected cash flow technique (i.e., the probability-weighted average of two or more discrete scenarios).

_____	_____	_____	12.40a1	The nature and source of pollution remediation obligations? [GAAFR, page 379]
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Yes	No	N/A		
_____	_____	_____	12.40a2	The liability recognized for pollution remediation obligations (if not visible on the face of the basic financial statements)? [GAAFR, page 379]
_____	_____	_____	12.40a3	The methods and assumptions used to calculate the liability for pollution remediation obligations? [GAAFR, page 379]

Explanation: The government must calculate the liability using the expected cash flow technique (i.e., the probability-weighted average of two or more discrete scenarios). Accordingly, it is not appropriate to indicate that the liability the government reports is based on probable losses that are reasonably estimable (i.e., measurable).

_____	_____	_____	12.40a4	An indication that the pollution remediation obligation is an estimate and subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations? [GAAFR, page 379]
_____	_____	_____	12.40a5	Do the notes disclose estimated recoveries that reduce the liability? [GAAFR, page 380]

Explanation: The estimate of the pollution remediation obligation should include all remediation work that a government expects to perform, even if it expects to recover amounts from a responsible party or a potentially responsible party. The government should use the expected cash flow technique to determine the amount of expected recoveries. Such expected recoveries should reduce the government's pollution remediation expenditure or expense. If such recoveries are not yet realized or realizable, they should reduce the reported liability. However, when recoveries are actually realized or become realizable, they should be treated as an asset rather than as a reduction of the liability. This latter treatment is also appropriate in cases where recoveries become expected in a period after the completion of all pollution remediation work and a pollution remediation liability no longer exists.

_____	_____	_____	12.40a6	If a government does not yet recognize a liability for a pollution remediation obligation because it is not reasonably estimable, do the notes disclose a general description of the nature of the pollution remediation activities? [GASB-S49:24; GAAFR, page 382]
_____	_____	_____	12.41	Do the notes furnish information on the primary government's derivative instruments? [GASB-S53:68, GAAFR pages 361-364]
_____	_____	_____	12.41a	Do the notes include a summary of derivative instrument activity during the reporting period and the balances at the end of the reporting period? [GASB-S53:69; GAAFR, pages 361-362] If so, does the summary include:
_____	_____	_____	12.41a1	Notional amount. [GAAFR, page 361]
_____	_____	_____	12.41a2	Changes in fair value during the reporting period and the classification in the financial statements where those changes in fair value are reported. [GAAFR, page 361]
_____	_____	_____	12.41a3	Fair values as of the end of the reporting period and the classification in the financial statements where those fair values are reported. If derivative instrument fair values are based on other than quoted market prices, the methods and significant assumptions used to estimate those fair values should be disclosed. [GAAFR, page 362]
_____	_____	_____	12.41a4	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. [GAAFR, page 362]

Yes No N/A

Explanation: This disclosure should be organized by governmental activities, business-type activities, and fiduciary funds. Further, the information should then be divided into the following categories—hedging derivative instruments (distinguishing between fair value hedges and cash flow hedges) and investment derivative instruments. Within each category, derivative instruments should be aggregated by type (for example, receive-fixed swaps, pay-fixed swaps, swaptions, rate caps, basis swaps, or futures contracts). The disclosure of the above information may be in a columnar display, narrative form, or a combination of both.

_____	_____	_____	12.41b	Do the notes make disclosures about hedging derivative instruments? [GASB-S53:71-73, GAAFR pages 362-363] If so do the disclosures include:
_____	_____	_____	12.41b1	The objectives for entering into those instruments, the context needed to understand those objectives, the strategies for achieving those objectives, and the types of derivative instruments entered into? [GASB-S53:71, GAAFR page 362]
_____	_____	_____	12.41b2	The significant terms, including 1) notional amount, 2) reference rates, such as indexes or interest rates, 3) embedded options, such as caps, floors, or collars, 4) the date when the hedging derivative instrument was entered into and when it is scheduled to terminate or mature, and 5) the amount of cash paid or received, if any, when a forward contract or swap (including swaptions) was entered into? [GASB-S53:72, GAAFR page 362]
_____	_____	_____	12.41b3	Risks, if applicable, that could give rise to financial loss for hedging derivatives reported as of the end of the fiscal year? [GASB-S53:73, GAAFR pages 362-363]

If so, do the disclosures include:

Explanation: These risk disclosures may contain information that also is required by other paragraphs. However, these disclosures should be presented in the context of a hedging derivative instrument's risk:

_____	_____	_____	12.41b3a	Credit risk including the following 1) the credit quality ratings of counterparties as described by rating agencies as of the end of the reporting period or the fact that the counterparty is not rated, 2) the maximum amount of loss due to credit risk, 3) 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, 4) The government's policy of entering into master netting arrangements, including a summary description and the aggregate amount of liabilities included in those arrangements, 5) the aggregate fair value of hedging derivative instruments in asset (positive) positions net of collateral posted by the counterparty and the effect of master netting arrangements, 6) significant concentrations of net exposure to credit risk (gross credit risk reduced by collateral, other security, and setoff) with individual counterparties and groups of counterparties? [GASB-S53:73a; GAAFR page 362]
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Explanation: A concentration of credit risk exposure to an individual counterparty may not require disclosure if its existence is apparent from the disclosures required by other parts of this paragraph, for example, a government has entered into only one interest rate swap. Group concentrations of credit risk exist if a number of counterparties are engaged in similar activities

Yes No N/A

and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

_____	_____	_____	12.41b3b	If the derivative instrument increases a government's exposure to interest rate risk do the notes disclose that increased exposure as interest rate risk and also disclose the hedging derivative instrument's terms that increase such a risk? [GASB-S53:73b; GAAFR page 362]
_____	_____	_____	12.41b3c	Basis risk including the hedging derivative instrument's terms and payment terms of the hedged item that creates the basis risk? [GASB-S53:73c; GAAFR page 362]
_____	_____	_____	12.41b3d	Termination risk including 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? [GASB-S53:73d; GAAFR pages 362-363]
_____	_____	_____	12.41b3e	Rollover risk including the maturity of the hedging derivative instrument and the maturity of the hedged item? [GASB-S53:73e; GAAFR page 363]
_____	_____	_____	12.41b3f	Market-access risk? [GASB-S53:73f; GAAFR page 363]
_____	_____	_____	12.41b3g	Foreign currency risk including the U.S. dollar balance of the hedging derivative instrument, organized by currency denomination and by type of derivative instrument? ? [GASB-S53:73g, GAAFR page 363]
_____	_____	_____	12.41c	If the hedged item in the arrangement is a debt obligation do the notes disclose the hedging derivative instrument's net cash flows based on the debt service requirements to maturity for debt and lease obligations? [GASB-S53:74; GAAFR page 363]
_____	_____	_____	12.41d	If the government uses a method other than consistent critical terms, synthetic instrument, dollar-offset, or regression analysis to evaluate effectiveness do the notes include the following information:1) the identity and characteristics of the method used, 2) the range of critical terms the method tolerates, and 3) the actual critical terms of the hedge? [GASB-S53:75; GAAFR page 363]
_____	_____	_____	12.41e	Are investment derivative instruments reported as of the end of the fiscal year? [GASB-S53:76; GAAFR page 363] If so, do the disclosures include information about each of the following applicable risks:

Explanation: These disclosures for risks may contain information that also is required by other paragraphs. However, these disclosures should be presented in the context of an investment derivative instrument's risk.

_____	_____	_____	12.41e1	Credit risk exposure consistent with the credit risk disclosures noted above for hedging derivative instruments in question 12.42b3a? [GASB-S53:76a; GAAFR page 363]
_____	_____	_____	12.41e2	Interest rate risk exposure consistent with the disclosures required by GASB Statement No. 40, Deposit and Investment Risk Disclosures, paragraphs 14-16, that includes the fair value, notional amount,

Yes	No	N/A		
				reference rate, and embedded options? [GASB-S53:76b; GAAFR page 363]
_____	_____	_____	12.41e3	Foreign currency risk in accordance with GASB Statement No. 40, paragraph 17? [GASB-S53:76c; GAAFR page 363]
_____	_____	_____	12.41f	Are disclosures made for derivative instruments held at the end of the fiscal year that contain contingent features (such as a government's obligation to post collateral if the credit quality of the government's hedgeable item declines)? [GASB-S53:77; GAAFR page 364] If so, do the disclosures include:
_____	_____	_____	12.41f1	The existence and nature of contingent features and the circumstances in which they could be triggered? [GASB-S53:77a; GAAFR page 364]
_____	_____	_____	12.41f2	The aggregate fair value of derivative instruments that contain those features? [GASB-S53:77b; GAAFR page 364]
_____	_____	_____	12.41f3	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? [GASB-S53:77c; GAAFR page 364]
_____	_____	_____	12.41f4	The amount, if any, that has been posted as collateral by the government as of the end of the reporting period? [GASB-S53:77d; GAAFR page 364]
_____	_____	_____	12.41g	If a government reports a hybrid instrument, are disclosures of the companion instrument made consistent with disclosures required of similar transactions? [GAAFR page 364]

Explanation: For example, a hybrid instrument may have a companion instrument that is related to debt. In that case, the existence of an embedded derivative with the companion instrument should be indicated in the disclosures of the companion instrument. For example, if a government has entered into a hybrid instrument that consists of a borrowing for financial reporting purposes and an interest rate swap, the government's disclosure should indicate the existence of the interest rate swap within the debt disclosure.

_____	_____	_____	12.41h	If Synthetic Guaranteed Investment Contracts (SGIC) exist as of the end of the reporting period that are fully benefit-responsive are all of the following disclosures made 1) a description of the nature of the SGIC and 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)? [GASB-S53:79, GAAFR page 364]
_____	_____	_____	12.42	Is the government a transferor or governmental operator for a service concession arrangement (SCA)? If so, do the notes include:
_____	_____	_____	12.42a	A general description of the arrangement in effect during the reporting period, including management's objectives for entering into it and, if applicable, the status of the project during the construction period? [GASB-S60:16a; GAAFR page 383]
_____	_____	_____	12.42b	The nature and amounts of assets, liabilities, and deferred inflows of resources related to an SCA that are recognized in the financial statements? [GASB-S60:16b; GAAFR page 383]
_____	_____	_____	12.42c	The nature and extent of rights retained by the transferor or granted to the governmental operator under the arrangement? [GASB-S60:16c, GAAFR page 383]

Yes No N/A

Explanation: Disclosure information for multiple SCAs may be provided individually or in the aggregate for those that involve similar facilities and risk. [GASB-S60:18]

If a service concession arrangement includes provisions for guarantees and commitments, disclosures should be made about those guarantees and commitments, including identification, duration, and significant contract terms of the guarantee or commitment for each period in which a guarantee or commitment exists. [GASB-S60:17]

If there is substantial doubt about the government's ability to continue as a going concern, the notes to the financial statements should include all of the following, as appropriate:[GASB-S56:19, GAAFR page 390]

- *Pertinent conditions and events giving rise to the assessment of substantial doubt about the government's ability to continue as a going concern for a reasonable period of time;*
- *The possible effects of such conditions and events;*
- *Government officials' evaluation of the significance of those conditions and events and any mitigating factors;*
- *Possible discontinuance of operations;*
- *Government officials' plans (including relevant prospective financial information);*
- *Information about the recoverability or classification of recorded asset amounts or the amounts or classification of liabilities.*

Explanation: Financial statement preparers should evaluate whether there is substantial doubt about the government's ability to continue as a going concern for 12 months beyond the financial statement date. Also, if there is information that is currently known to the government that may raise substantial doubt shortly thereafter (for example, within an additional three months), it should be considered. It may also be necessary to include a discussion of going concern issues in the MD&A, depending on the facts and circumstances. See italicized comment and explanation preceding checklist question 4.1j.

If the government has filed for bankruptcy all of the following should be disclosed:[GASB-S58:15, GAAFR pages 389-390]

- *Pertinent conditions and events giving rise to the petition for bankruptcy*
- *The expected or known effects of such conditions and events, including:*
- *The principal categories of the claims subject to compromise or that already have been adjusted*
- *The principal changes in terms and the major features of settlement*
- *The aggregate gain expected to occur by re-measuring liabilities subject to a proposed Plan of Adjustment, or realized, as appropriate; or a statement that any gain is not yet reasonably estimable and the reasons therefore*
- *Contingent claims not subject to reasonable estimation, based on the provisions of NCGA Statement 4*
- *Significance of those conditions and events on the levels of service and operations of the government, and any mitigating factors, such as assumption of services by other governments*
- *Possibility of termination of the government, or any plans to terminate the government, as appropriate*
- *How to obtain a copy of the government's Plan of Adjustment or a statement that a plan is not yet available and an estimate of when it will be completed.*

_____ 12.43 Has the government refrained from negative disclosure? [GAAFR, page 346]

Explanation: There generally is no need to disclose that a particular situation is not applicable to the government. There are two exceptions to this basic rule:

Yes No N/A

- Situations where GAAP specifically require the disclosure of whether a given set of circumstances apply to the government;
- Situations where the absence of a given set of circumstances is so unusual that the omission of a particular disclosure is likely to be viewed by financial statement users as an oversight.

**FINANCIAL SECTION – PENSION AND OTHER POSTEMPLOYMENT BENEFIT-RELATED NOTE
DISCLOSURES**

_____ 13.1 If the government participates in a defined benefit plan, do the notes provide information on the arrangement? [GASB-S27:20-1; GASB-S45:24-5; GASB-S50:7-8; GAAFR, page 369] If so:

_____ 13.1a Do the notes describe the benefit plan? [GASB-S27:20a1; GASB-S45:24a1; GAAFR, page 369]

Explanation: The different types of defined benefit plans are as follows: single-employer plans, agent multiple-employer plans, and cost-sharing multiple-employer plans.

_____ 13.1b Do the notes briefly describe the types of benefits offered and the authority for establishing and amending benefits? [GASB-S27:20a2; GASB-S45:24a2; GAAFR, page 369]

_____ 13.1c Do the notes disclose whether the plan issues a separate report or is included in the report of a public employees' retirement system or another entity? [GASB-S27:20a3; GASB-S45:24a3; GAAFR, page 369]

_____ 13.1c1 If a separate report is issued for a plan, do the notes disclose how to obtain a copy of the report? [GASB-S27:20a3; GASB-S45:24a3; GAAFR, page 369]

_____ 13.1d Do the notes describe the authority for establishing and amending the funding policy? [GASB-S27:20b1; GASB-S45:24b1; GAAFR, page 369]

If the plan is contributory, the notes should disclose the required contribution rate(s) of active members. [GASB-S27:20b2; GASB-S25:24b(2); GAAFR, page 369]

_____ 13.1e Do the notes indicate the employer's required contribution rate(s)? [GASB-S27:20b3; GASB-S45:24b(2); GAAFR, page 369]

Explanation: A government that provides prescription drug coverage to retirees (i.e., OPEB benefits) and is able to obtain payments, either directly or indirectly, from the federal government under Medicare Part D should report this activity on a gross basis. Accordingly, the contribution rates or the dollar amount of required contributions of the employer government are not reduced.

_____ 13.1e1 Are employer contribution rates expressed either in dollars or as a percentage of current-year payroll? [GASB-S27:20b3; GASB-S45:24b3; GAAFR, page 369]

Explanation: See explanation following question 13.1e.

If the employer participates in either a single-employer or agent multiple-employer plan and the contribution rate differs significantly from the actuarially determined annual required contribution, the notes should explain how the contribution rate is determined. [GASB-S27:20b3; GASB-S45:24b3; GAAFR, page 369]

Yes No N/A

The notes should disclose any legal or contractual maximum contribution rates. [GASB-S45:24b; 30c; GASB-S50:7a; GAAFR, page 369]

_____ 13.1f If the government participates in a cost-sharing, multiple-employer defined benefit plan, do the notes provide information on both required and actual contributions? [GASB-S27:20b3; GASB-S45:24b3; GASB-TB 04-2:2-6; GAAFR, page 369]

Explanation: This disclosure for required and actual contributions should provide information for the contractually required contributions that relate to the fiscal year being reported upon (i.e., those that relate to the pay periods within the fiscal year) regardless of when the amounts are due. For example, a government with a calendar year as its fiscal year is required to make contractually required contributions on a quarterly basis to the cost-sharing employee benefit plan within 45 days after the close of each quarter. In this case the payment for the last quarter would be part of the contractually required contributions for the calendar year even though it is not due to the cost-sharing employee benefit plan until midway through the first quarter of the subsequent period. Also, the government should not reduce the contractually required contribution for an OPEB plan by payments from the federal government under Medicare Part D.

_____ 13.1f1 Is the current year's required contribution stated in dollars? [GASB-S27:20b3; GASB-S45:24b3; GAAFR, page 369]

Explanation: The government should not reduce the contractually required contribution for an OPEB plan by payments from the federal government under Medicare Part D.

_____ 13.1f2 Are actual contributions presented as a percentage of required contributions? [GASB-S27:20b3; GASB-S45:24b3; GAAFR, page 369]

_____ 13.1f3 Is all information presented both for the current year and each of the preceding two years? [GASB-S27:20b3; GASB-S45:24b3; GAAFR, page 369]

_____ 13.1g In the case of a cost-sharing multiple-employer plan, does the disclosure state how the required contribution rate is determined (e.g., by statute, contract, or on an actuarial basis) or state that the plan is financed on a pay-as-you-go basis? [GASB-S45:24b; GASB-S50:7b; GAAFR, page 369]

_____ 13.2 If the government participates in either a single-employer or agent multiple-employer defined benefit plan, do the notes provide additional information? [GASB-S27:21; GASB-S45:25; GAAFR, pages 369-371] If so:

_____ 13.2a Do the notes disclose annual benefit cost? [GASB-S27:21a; GASB-S45:25a; GAAFR, page 369]

Explanation: The government should not reduce the annual benefit plan cost for an OPEB plan by payments from the federal government under Medicare Part D.

_____ 13.2b Do the notes disclose actual contributions made (in dollars)? [GASB-S27:21a; GASB-S45:25a; GAAFR, page 369]

_____ 13.2c If there is a net pension obligation (NPO) or net OPEB obligation (NOPEBO) outstanding, do the notes disclose the components of the annual benefit plan cost? [GASB-S27:21a; GASB-S45:25a; GAAFR, pages 369-370]

Explanation: If an NPO or NOPEBO exists, the annual benefit cost will comprise these three components: 1) the annual required contribution (ARC), 2) interest on the NPO or NOPEBO, and 3) the actuary's adjustment of the ARC based on the existence of the NPO or NOPEBO.

Yes	No	N/A		
_____	_____	_____	13.2d	If there is an NPO or NOPEBO outstanding, do the notes disclose both 1) the increase or decrease in the NPO/NOPEBO and 2) the NPO/NOPEBO at the end of the year? [GASB-S27:21a; GASB-S45:25a; GAAFR, page 370]
_____	_____	_____	13.2e	Do the notes disclose the annual benefit plan cost for the current year and the two preceding years? [GASB-S27:21b; GASB-S45:25b; GAAFR, page 370]
_____	_____	_____	13.2f	Do the notes disclose the percentage of the annual benefit cost contributed for the current year and the two preceding years? [GASB-S27:21b; GASB-S45:25b; GAAFR, page 370]
_____	_____	_____	13.2g	Do the notes disclose the NPO/NOPEBO for the current year and the two preceding years? [GASB-S27:21b; GASB-S45:25b; GAAFR, page 370]
_____	_____	_____	13.2h	Do the notes disclose the date of the actuarial valuation? [GASB-S27:21c; GASB-S45:25c; GAAFR, page 370]
_____	_____	_____	13.2i	Do the notes disclose the actuarial methods and significant assumptions used? [GASB-S27:21c; GASB-S45:25d; GAAFR, page 370]

Explanation: The disclosure of the actuarial assumptions must be in the notes to the financial statements.

_____	_____	_____	13.2i1	Do the notes disclose the actuarial cost method? [GASB-S27:21c; GASB-S45:25d; GAAFR, page 371]
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Explanation: GAAP require the use of one of the following six actuarial cost methods: entry age, frozen entry age, attained age, frozen attained age, projected unit credit, or aggregate. The use of the unprojected unit credit method also is acceptable for plans in which benefits already accumulated for years of service are not affected by future salary levels.

_____	_____	_____	13.2i2	If the aggregate method is used, do the notes state that because this method does not identify or separately amortize unfunded actuarial accrued liabilities, information about funded status and funding progress is presented using the entry age actuarial cost method for that purpose, and that the information presented is intended to serve as a surrogate for the funding progress of the plan? [GASB-S45:25d; GASB-S50:8b(3)(b) and 9; GAAFR, page 371]
_____	_____	_____	13.2i3	Do the notes disclose the actuarial method used for valuing assets? [GASB-S27:21c; GASB-S45:25d; GAAFR, page 371]
_____	_____	_____	13.2i4	Do the notes disclose the assumptions regarding the inflation rate, investment return, projected salary increases, and post-retirement benefit increases? [GASB-S27:21c; GASB-S45:25d; GAAFR, page 371] <i>If the assumptions (e.g., inflation rate, projected salary increases) used to determine the ARC for the current year and the information about the funded status of the plan contemplate different rates for successive years (year-based or select and ultimate rates), the rates that should be disclosed are the initial and ultimate rates. [GASB-S45:25d(5)(c); GASB-S50:8b(3)(a); GAAFR, page 371]</i>
_____	_____	_____	13.2i5	Do the notes describe the amortization method (i.e., level dollar or level percentage of projected payroll)? [GASB-S27:21c; GASB-S45:25d; GAAFR, page 371]

Yes No N/A

13.2i6

Do the notes disclose the amortization period? [GASB-S27:21c; GASB-S45:25d; GAAFR, page 371]

Explanation: If a government uses more than one amortization period, it should disclose the equivalent single amortization period (ESAP).

13.2i7

Do the notes state whether amortization periods are open or closed? [GASB-S27:21c; GASB-S45:25d; GAAFR, page 371]

13.2j

For an OPEB healthcare plan, does the disclosure of actuarial assumptions include the healthcare cost trend rate? [GASB-S45:25d; GAAFR, page 371]

If different years are used for the healthcare cost trend rate, the notes should disclose both the initial and ultimate rates. [GASB-S45:25d(5)(c); GAAFR, page 371, note 154]

13.2k

For partially funded defined benefit OPEB plans, do the notes disclose the method used to determine the blended investment return assumption? [GASB-S45:25d; GAAFR, page 371, note 155]

13.2L

If the government participates in one or more defined benefit plan(s), do the notes provide disclosures for the funded status of the plan(s) as of the most recent actuarial valuation date? [GASB-S45:25c; GASB-S50:8a; GAAFR, pages 370-371] If so:

Explanation: One of the following actuarial cost methods should be used: entry age, frozen entry age, attained age, frozen attained age, projected unit credit, or aggregate. If the aggregate actuarial method is used to determine the annual required contribution, the government should present this information using the entry age actuarial cost method. The requirement to present information about funded status of pension plans that use the aggregate actuarial method is effective for the first fiscal period containing information from actuarial valuations as of June 15, 2007 or later. Amortization of the total actuarial accrued liability may be calculated using either a level dollar or a level percentage of projected payroll approach. However, the maximum acceptable amortization period is 30 years.

13.2L1

Do the notes disclose the actuarial valuation date? (GASB-S45:25c; GASB-S50:8a; GAAFR, page 370)

Explanation: The actuarial valuation for an OPEB plan should be performed:

- At least biennially for OPEB plans with a total membership of 200 or more
- At least triennially for OPEB plans with fewer than 200 total members

The actuarial valuation for an OPEB plan should be performed at least biennially.

Regardless of the option selected, the same date should be used for each actuarial valuation. However, a new valuation should be performed in any year in which a significant change occurred that affected the results of the prior valuation.

13.2L2

Do the notes disclose the actuarial value of assets? (GASB-S45:25c; GASB S-50:8a; GAAFR, page 370)

Explanation: The *actuarial* value of plan assets may differ from the *accounting* value presented on the statement of plan net position.

13.2L3

Do the notes disclose the actuarial accrued liability? (GASB-S45:25c; GASB S-50:8a; GAAFR, page 370)

Explanation: The actuarial accrued liability should be calculated using the same actuarial cost method used for funding purposes except when the aggregate actuarial cost method is used. In this case the disclosure should be prepared using the

Yes No N/A

entry age actuarial cost method. Further, the actuarial accrued liability should not be reduced by payments that are expected from the federal government under the provisions of Medicare Part D.

_____ 13.2L4 Do the notes disclose the total unfunded actuarial accrued liability (or funding excess)? (GASB-S45:25c; GASB S-50:8a; GAAFR, page 370)

Explanation: UNFUNDED ACTUARIAL ACCRUED LIABILITY = ACTUARIAL ACCRUED LIABILITY - ACTUARIAL VALUE OF PLAN ASSETS. If the actuarial value of plan assets exceeds the actuarial accrued liability, this excess amount should be reported as a *funding excess*.

_____ 13.2L5 Do the notes disclose the funded ratio? (GASB-S45:25c; GASB S-50:8a; GAAFR, page 370)

Explanation: FUNDED RATIO = ACTUARIAL VALUE OF ASSETS/ACTUARIAL ACCRUED LIABILITY [expressed as a percentage].

_____ 13.2L6 Do the notes disclose the annual covered payroll? (GASB-S45:25c; GASB-S50:8a; GAAFR, page 370)

_____ 13.2L7 Do the notes disclose the ratio of the unfunded actuarial accrued liability to annual covered payroll? (GASB-S45:25c; GASB S-50:8a; GAAFR, page 370)

_____ 13.2m Do the notes disclose that the required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits? [GASB-S45:25d(2); GASB-S50:8b(1); GAAFR, page 370]

_____ 13.2n Do the notes disclose the actuarial methods and significant assumptions used? [GASB-S45:25d; GASB-S50:8b, GAAFR, page 371]

If applicable, the notes should disclose that the projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. (GASB S-45:25d(3); GASB S-50:7b(2); GAAFR, page 370)

_____ 13.2o If the government participates in a single-employer or agent multiple-employer OPEB plan, do the notes disclose the actuarial methods and significant assumptions used? [GASB-S45:25d; GAAFR, page 370]

_____ 13.2o1 For OPEB, do the notes disclose that calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point? (GASB-S45:25d(3); GAAFR, page 370)

_____ 13.2o2 Do the notes disclose that actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and that actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future? (GASB-S45:25d(1); GAAFR, page 370)

_____ 13.2o3 Do the notes disclose that actuarial calculations reflect a long-term perspective? (GASB-S45:25d(4); GAAFR, page 370)

Yes No N/A

If applicable, the notes should disclose that the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. (GASB-S45:25d(4); GAAFR, page 370)

_____ 13.2p Does the OPEB plan qualify for and has it elected to use the alternative measurement method? If so, do the notes disclose:

Explanation: To qualify to use the alternative measurement approach, a government must have a single-employer OPEB plan with fewer than 100 total plan members or participate in an agent multiple-employer defined benefit OPEB plan where it has less than 100 total plan members in its particular OPEB plan. The latter is true regardless of the total plan members for all employers participating in the agent multiple-employer OPEB plan. If a government selects the alternative measurement method for its agent multiple-employer OPEB plan it is necessary for that employer to provide actuarial information to the agent multiple-employer OPEB plan in which the employer participates as frequently as is required for that plan and as of the same actuarial valuation date used by that plan.

While this method does not require the services of an actuary, it does include the same essential elements as those used in an actuarial valuation:

- Projection of future benefits;
- Calculation of the present value of future benefit payments;
- Allocation of the present value of future benefit payments to operations in a systematic and rational manner.

The essential difference between the alternative approach and an actuarial valuation is that financial statement preparers are allowed to use certain simplifying assumptions to project benefits.

_____ 13.2p1 That the government has elected to use this method? (GASB-S45:34)

_____ 13.2p2 The source or basis of all significant assumptions or methods used to apply the method? (GASB-S45:34; GAAFR, page 371, note 153)

_____ 13.3 If the government participates in a defined contribution benefit plan, do the notes provide information on the arrangement? [GASB-S27:27; GASB-S45:29; GAAFR, page 371] If so:

_____ 13.3a Do the notes disclose the name of the benefit plan? [GASB-S27:27a; GASB-S45:31a; GAAFR, page 371]

_____ 13.3b Do the notes disclose the entity that administers the benefit plan? [GASB-S27:27a; GASB-S45:31a; GAAFR, page 371]

_____ 13.3c Do the notes identify the arrangement as a defined contribution benefit plan? [GASB-S27:27a; GASB-S45:31a; GAAFR, page 371]

_____ 13.3d Do the notes briefly describe the plan's provisions? [GASB-S27:27b; GASB-S45:31b; GAAFR, page 371]

_____ 13.3e Do the notes disclose the authority for establishing or amending the plan's provisions? [GASB-S27:27b; GASB-S45:31b; GAAFR, page 371]

_____ 13.3f Do the notes disclose contribution amounts (either in dollars or as a percentage of salary) for the employer, participating employees, and other contributors? [GASB-S27:27c; GASB-S45:31c; GAAFR, page 371]

_____ 13.3g Do the notes disclose the authority for establishing or amending contribution requirements? [GASB-S27:27c; GASB-S45:31c; GAAFR, page 371]

Yes	No	N/A		
_____	_____	_____		
			13.3h	<p>Do the notes disclose contributions actually made by the employer and plan members? [GASB-S27:27d; GASB-S45:31d; GAAFR, page 371]</p> <p><i>If the government participates in an insured benefit plan, the notes should 1) describe the plan, 2) state that the responsibility for making payments to employees has effectively been transferred to the insurer, 3) indicate whether the employer has guaranteed benefits in the event of default by the insurer, 4) disclose the amount of current-year benefit cost, and 5) disclose contributions or premiums actually paid. [GASB-S27:23; GASB-S45:28; GAAFR, pages 371-372]</i></p> <p><i>If the government is legally responsible for paying benefits on behalf of the employees of another entity, the notes should provide the same information required for a benefit plan provided to the government's own employees. [GASB-S27:28; GASB-S45:32; GAAFR, page 407]</i></p>
_____	_____	_____	13.4	<p>If the government sponsors a defined benefit plan that is reported as a pension (and other employee benefit) trust fund and the plan issues a separate report, do the notes provide abbreviated disclosures concerning the plan? [GASB-S25:32; GASB-S43:30] If so:</p>
_____	_____	_____	13.4a	<p>Do the notes disclose how to obtain a copy of the benefit plan report? [GASB-S25:32; GASB-S43:30; GAAFR, page 369]</p>
_____	_____	_____	13.4b	<p>Do the notes identify the type of plan? [GASB-S25:32a1; GASB-S43:30a1; GAAFR, pages 369]</p>
<p>Explanation: The different types of defined benefit plans are as follows: single-employer plans, agent multiple-employer plans, and cost-sharing multiple-employer plans.</p>				
_____	_____	_____	13.4c	<p>Do the notes disclose the number of participating employers and other contributing entities? [GASB-S25:32a1; GASB-S43:30a1; GAAFR, page 646]</p>
_____	_____	_____	13.4d	<p>Do the notes disclose the basis of accounting used? [GASB-S25:32b; GASB-S43:30b; GAAFR, pages 646-647]</p>
<p>Explanation: This disclosure should specify when contributions, benefits, and refunds are recognized in the statement of changes in fiduciary net position.</p>				
_____	_____	_____	13.4e	<p>Do the notes disclose the method used to determine the fair value of investments? [GASB-S25:32b; GASB-S43:30b; GASB-S50:4a; GAAFR, page 647]</p> <p><i>If the fair value is based on other than quoted market prices, the notes should disclose the methods and significant assumptions used to estimate the fair value of investments. [GASB-S25:32 and 41; GASB-S31:15; GASB-S43:30b(2) and 42; GASB-S50:5; GAAFR, page 647]</i></p> <p><i>If there are any long-term contracts for contributions outstanding, the notes should disclose the terms of the contracts and the amount outstanding as of the plan's reporting date. [GASB-S25:32c4; GASB-S43:30c4; GAAFR, page 647]</i></p>
_____	_____	_____	13.5	<p>If the government sponsors a defined benefit plan reported as a pension (and other employee benefit) trust fund, and that benefit plan does <i>not</i> issue a separate report, do the notes provide additional information? [GASB-S25:32; GASB-S34:106; GASB-S43:30]</p>
_____	_____	_____	13.5a	<p>Do the notes include financial statements for each individual benefit plan if the combining statements that provide this information are not within the scope of the audit? [GASB-S34:106]</p>

Yes No N/A

Explanation: If the independent auditor only takes *in relation to* responsibility for the combining and individual fund statements, then the financial statements for each individual benefit plan should be included within the notes so that data for each benefit plan is included within the scope of the audit.

_____ 13.5b Do the notes include all disclosures required of stand-alone benefit plans?
[GASB-S25:32; GASB-S27:20, note 15; GASB-S43:30; Q&A 5.32.2; GAAFR, pages 646-649]

Explanation: The disclosure requirements for benefit plans in the absence of a separately issued report (which should be merged with the sponsoring government's employer disclosures to avoid duplication) are as follows:

- Plan description
- Type of plan and the number of participating employers and other contributors
- Classes of employees covered and current membership, including the number of retirees and others currently receiving benefits, terminated employees entitled to receive benefits in the future, and current active plan members (*A plan should disclose if the plan is closed to new entrants*)
- A brief description of benefit provisions and the authority for establishing or amending those provisions
- Summary of significant accounting policies
- Basis of accounting
- Method used to determine the fair value of investments
- Contributions and reserves
- Authority for establishing or amending the obligation to make contributions
- How contributions are determined and how administrative costs are financed
- Required contribution rates for active members of the plan
- Terms of long-term contracts for contributions and the amount outstanding as of the plan's reporting date
- Balances in legally required reserves or designations as of the plan's reporting date (reserves result from the actions of outside parties, while designations result from actions of the plan's own governing body); also, the purpose and funded status of each reserve or designation
- Legal or contractual maximum contribution rate
- Funding information
- The data from the schedule of funding progress for the current year
- The date of the actuarial valuation
- That the schedule of funding progress, located following the notes, provides multi-year trend data to help determine whether net plans assets are increasing or decreasing over time
- The actuarial cost method (i.e., entry age, frozen entry age, attained age, frozen attained age, projected unit credit, or aggregate) [The use of the unprojected unit credit method also is acceptable for plans in which benefits already accumulated for years of service are not affected by future salary levels]
- If the aggregate method is used, a statement that this method does not separately amortize unfunded actuarial accrued liabilities
- The actuarial method used for valuing assets
- The assumptions regarding the inflation rate, investment return, projected salary increases, and post-retirement benefit increases
- The amortization method (i.e., level dollar or level percentage of payroll)
- The amortization period (if more than one period is used, the equivalent single amortization period should be disclosed)
- Whether the amortization period is open or closed
- That benefits are projected based on benefit levels and cost-sharing arrangements as of the date of the valuation and do not explicitly reflect the potential effects of legal or contractual funding limitations

FINANCIAL SECTION – RSI

_____ 14.1* Is all RSI, other than MD&A, located immediately following the notes to the financial statements? [GASB-S34:6c; GAAFR, page 577]

Explanation: When the government sponsors a public-entity risk pool that issues a separate report, the RSI mandated for the pool should be presented in the statistical section of the CAFR rather than immediately following the notes to the financial statements.

Yes	No	N/A		
_____	_____	_____		
_____	_____	_____	14.2*	If the government does not present budgetary comparisons as basic governmental fund financial statements, does the RSI present these comparisons? [GASB-S34:130, note 53; GAAFR, page 578]
_____	_____	_____	14.2a	Is the budgetary comparison titled a <i>schedule</i> rather than a <i>statement</i> ? [GASB-S34:130, note 53; GAAFR, page 578]
_____	_____	_____	14.2b*	Does the schedule include a separate column for the general fund and each annually budgeted major special revenue fund (or if there is a significant perspective difference, a column or columns consistent with the fund, organization, or program structure that the government uses for its legally adopted budget)? [GASB-S34:130; GASB-S41:3; GAAFR, page 578]

Explanation: If perspective differences between the basis of budgeting and GAAP are so significant that it is impossible to present meaningful budgetary comparisons based on the fund structure used for GAAP reporting, then the budgetary comparison schedule should be based on the fund, organization, or program structure that the government uses for its legally adopted budget. Generally, the government should present such budgetary comparison schedules for the activities that it reports in the general fund and major special revenue funds.

_____	_____	_____	14.2c*	Has the government refrained from presenting budgetary comparisons for debt service funds, capital projects funds, permanent funds, major special revenue funds without annual budgets, and nonmajor special revenue funds? [GAAFR, page 578]
_____	_____	_____	14.2d*	Does the budgetary schedule present the original budget? [GASB-S34:130; GAAFR, page 578]

Explanation: GAAP define *original budget* as “the first complete appropriated budget.” Amounts automatically carried over from one budget to the next – such as encumbrances that are subject to automatic re-appropriation – should be included as part of the original budget. Likewise, the original budget should be adjusted to reflect reserves, transfers, allocations, and supplemental appropriations that occur prior to the start of the fiscal year.

_____	_____	_____	14.2e*	Does the budgetary schedule present the final amended budget? [GASB-S34:130; GAAFR, pages 578-579]
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Explanation: The *final amended budget* should reflect the ultimate appropriation authority for the period, even if, as sometimes permitted by law, some or all of the amendments occur after the close of the fiscal period.

_____	_____	_____	14.2f*	Does the budgetary schedule present actual data using the basis of budgeting? [GASB-S34:130; GAAFR, page 578]
_____	_____	_____	14.2g	Has the government presented one or more variance columns? [GASB-S34:130; GAAFR, page 579]
_____	_____	_____	14.2g1	Has the government refrained from captioning variance columns as <i>favorable</i> or <i>unfavorable</i> ? [GAAFR, page 579]
_____	_____	_____	14.2h	Do the notes to RSI either 1) disclose the basis of budgeting, if different from GAAP, or 2) state that GAAP serve as the basis of budgeting? [GAAFR, page 580]
_____	_____	_____	14.2i	If the basis of budgeting differs from GAAP, is a reconciliation provided in the notes to RSI (if not presented on the face of the schedule)? [NCGA-I10:25; GAAFR, pages 579-580]
_____	_____	_____	14.2i1	Is the reconciliation between GAAP and the basis of budgeting sufficiently detailed? [NCGA-I10:25; GAAFR, pages 579-580]

Yes No N/A

Explanation: GAAP describe four categories of budget-versus-actual differences: basis differences, timing differences, perspective differences, and entity differences. These categories provide the *minimum level of detail* required by GAAP. That is, if a fund had items from each of these categories, the reconciliation would need to present *at least* four reconciling amounts.

The notes to RSI should disclose excesses of expenditures over appropriations in the general fund and annually budgeted major special revenue funds.
[GASB-S34:131; GASB-S37:19; GAAFR, page 580]

_____ 14.3* If the government uses the modified approach for one or more networks or subsystems of infrastructure assets, is information on these networks and subsystems provided as RSI? [GASB-S34:132-3; GAAFR, page 580]

_____ 14.3a Does RSI provide information on the assessed condition of all infrastructure assets accounted for using the modified approach for at least the three most recently completed condition assessments? [GASB-S34:132a; GAAFR, page 580]

Explanation: Trend information is only required as it becomes available.

_____ 14.3b Does RSI disclose the government's estimate for each of the past five years of the amount needed to maintain or preserve infrastructure assets at the condition level established by the government? [GASB-S34:132b; GAAFR, page 581]

Explanation: See explanation for 14.3a.

_____ 14.3c Does RSI disclose the actual amounts expended on maintenance and preservation of infrastructure assets for each of the past five years? [GASB-S34:132b; GAAFR, page 581]

Explanation: See explanation for 14.3a.

_____ 14.3d Do notes accompany RSI? [GASB-S34:133; GAAFR, page 581] If so:

_____ 14.3d1 Do notes to RSI disclose the basis for the condition measurement and the measurement scale used to assess and report condition? [GASB-S34:133a; GAAFR, page 581]

_____ 14.3d2 Do notes to RSI disclose the condition level at which the government intends to preserve its infrastructure assets? [GASB-S34:133b; GAAFR, page 581]

The notes to RSI should disclose factors that significantly affect trends in the information reported in the required schedules. [GASB-S34:133c; GAAFR, page 581]

If there is a change in the condition level at which the government intends to preserve infrastructure assets, the notes to RSI should estimate the effect of the change on the estimated annual amount in the current period to maintain and preserve those assets. [GASB-S34:133c; GAAFR, page 581, note 25]

_____ 14.4* If the government either sponsors a single-employer defined benefit plan or participates in an agent multiple-employer defined benefit plan, does RSI provide trend information on funding progress for the last three actuarial valuations? [GASB-S25:34, 37; GASB-S43:35; GASB-S50:9; GAAFR, pages 581]

Yes No N/A

Explanation: When the aggregate method is used for funding purposes, a schedule of funding progress must be presented using the entry age actuarial cost method. The requirement to present information about funded status of pension plans that use the aggregate actuarial method is effective for the first fiscal period containing information from actuarial valuations as of June 15, 2007, or later. Also, for OPEB plans, the actuarial accrued liability should not be reduced by payments that are expected from the federal government under the provisions of Medicare Part D.

_____ 14.4a Does the schedule disclose the actuarial valuation date? [GASB-S25:37; GASB-S43:35; GAAFR, page 581]

Explanation: In the case of defined benefit pension plans, the actuarial valuation should be performed at least biennially and should generally be performed the same date each year or biennium. A new valuation should be performed if significant changes have occurred since the previous valuation.

In the case of defined benefit OPEB plans the actuarial valuation should be performed:

- At least biennially for plans with a total membership of 200 or more;
- At least triennially for plans with fewer than 200 total members.

Regardless of the option selected, the same date should generally be used for each actuarial valuation. As with pension plans, a new valuation should be performed in any year in which a significant change occurred that affected the results of the prior valuation.

In the case were an individual employer that participates in an agent-multiple employer OPEB plan elects to use the alternative measurement method for its particular plan each such individual employer must provide the information calculated using the alternative measurement at least as frequently as is required for the entire agent multiple-employer OPEB plan in which it participates. Further, the agent multiple-employer OPEB plan and each of its participating agent-employers should obtain the information as of the same date regardless of whether it is provided through the alternative measurement approach or by an actuarial valuation. [GASB-S57:7-8]

_____ 14.4b Does the schedule disclose the actuarial value of plan assets? [GASB-S25:37; GASB-S43:35; GAAFR, page 581]

_____ 14.4c Does the schedule disclose the actuarial accrued liability? [GASB-S25:37; GASB-S43:35; GAAFR, page 581]

Explanation: When a plan presents the schedule of funding progress, the actuarial accrued liability should be calculated using the same actuarial cost method used for funding purposes. When the aggregate actuarial cost is used for funding purposes, the schedule should be prepared using the entry age actuarial cost method.

_____ 14.4d Does the schedule disclose the total unfunded actuarial accrued liability? [GASB-S25:37; GASB-S43:35; GAAFR, page 581]

Explanation: UNFUNDED ACTUARIAL ACCRUED LIABILITY = ACTUARIAL ACCRUED LIABILITY - ACTUARIAL VALUE OF PLAN ASSETS. If the actuarial value of plan assets exceeds the actuarial accrued liability, this excess amount should be reported as a *funding excess*.

_____ 14.4e Does the schedule disclose the funded ratio? [GASB-S25:37; GASB-S43:35; GAAFR, page 581]

Explanation: FUNDED RATIO = ACTUARIAL VALUE OF ASSETS/ACTUARIAL ACCRUED LIABILITY [expressed as a percentage].

_____ 14.4f Does the schedule disclose annual covered payroll? [GASB-S25:37; GASB-S43:35; GAAFR, page 581]

_____ 14.4g Does the schedule disclose the ratio of the total unfunded actuarial accrued liability to annual covered payroll? [GASB-S25:37; GASB-S43:35; GAAFR, page 582]

Yes No N/A

If the government includes a pension (and other employee benefits) trust fund and the schedule of funding progress does not provide data for each of the past six periods, the notes to RSI should indicate how users may obtain a copy of the plan's separately issued report. [GASB-S25:34; GASB-S43:32; GAAFR, page 583]

Explanation: *If a separate report is not issued and referenced, a full six years of trend data on employer contributions is required, as follows:*

- *Annual required contributions (in dollars) based on the parameters set by GAAP;*
- *Percentage of annual required contributions recognized as contributions from employers in the plan's statement of changes in plan net position.*

_____	_____	_____	14.5*	If the government sponsors a single-employer defined benefit plan, does RSI either present a schedule of employer contributions or indicate how users may obtain a copy of the benefit plan's separately issued report? [GASB-S25:34; GASB-S43:32; GAAFR, pages 582-583]
_____	_____	_____	14.6	If the cost-sharing plan in which an employer participates does not issue and make publicly available a stand-alone plan financial report and the plan is not included in the financial report of another entity, does the cost-sharing employer present schedules of funding progress and employer contributions for the plan? [GASB-S45:27; GASB-S50:10] If so:
_____	_____	_____	14.6a	Do the notes disclose that the information presented relates to the cost-sharing plan as a whole and that the government is only one participating employer in the plan? [GASB-S45:27; GASB-S50:10]
_____	_____	_____	14.6b	Do the notes provide information helpful for understanding the scale of the information presented relative to the employer? [GASB-S45:27; GASB-S50:10]
_____	_____	_____	14.7*	If the government sponsors a public-entity risk pool, does the RSI present ten years of data on revenues and claims development (unless the notes contain a reference to a separately issued report)? [GASB-S30:7, note a; GAAFR, pages 584-585]

Explanation: The specific contents of RSI for risk pools are as follows:

A table displaying:

1. Premium and investment revenues (past 10 fiscal years), presented as follows:
 - gross amounts earned
 - amounts ceded (for example, reinsurance)
 - net revenues
2. Unallocated claim adjustment expenses and other costs (past 10 fiscal years)
3. Incurred claims and allocated claim adjustment expenses as originally reported (past 10 fiscal years), presented as follows:
 - gross amounts incurred
 - amounts ceded (for example, reinsurance)
 - net incurred
4. Cumulative payments related to item no. 3 at the end of each policy year
5. Re-estimated ceded losses and expenses
6. Re-estimated net incurred claims and claim adjustment expenses at the end of each year
7. The change between nos. 3 and 6

Reconciliation of claims liabilities by type of contract, including an analysis of changes in liabilities for claims and claim adjustment expenses of the current fiscal year and the prior year, in the same tabular format prescribed for the note disclosure reconciliation described earlier

Yes No N/A

Information for risk pools that are included as part of a combined general government reporting entity but do not issue separate financial reports should present the required supplementary information after the notes to the reporting entity's financial statements. However, if the reporting entity issues a comprehensive annual financial report, the required supplementary information for the risk pool may be presented as statistical information.

_____ 14.8 Has the government refrained from including information as required supplementary information that the authoritative accounting literature does not designate as such? [GAAFR, page 577]

FINANCIAL SECTION – COMBINING AND INDIVIDUAL FUND INFORMATION AND OTHER SUPPLEMENTARY INFORMATION

_____ 15.1* Does the financial section include a combining statement to support every column in the basic fund financial statements that aggregates data from more than one fund? [GASB-S34:281; GAAFR, pages 596-597]

Explanation: A government with the full complement of fund types could have up to seven sets of combining fund financial statements, as follows:

- Combining statements – nonmajor governmental funds
- Combining statements – nonmajor enterprise funds
- Combining statements – internal service funds
- Combining statements – private-purpose trust funds
- Combining statements – pension (and other employee benefit) trust funds
- Combining statements – investment trust funds
- Combining statements – agency funds

_____ 15.1a Do the combining statements provide information on each individual fund included? [GAAFR, page 596]

_____ 15.1b Do the combining statements for governmental funds identify individual funds by fund type? [GAAFR, page 597]

_____ 15.1c* Do the combining statements for pension (and other employee benefit) trust funds report separate columns for each individual plan? [GASB-S25:15; GAAFR, page 596]

Explanation: GAAP require that each separate plan be treated as a separate fund in its own right, even if administered by a single public employee retirement system. If the notes do *not* refer to a separately issued benefit plan report providing the needed information, then information on separate plans must be included *within the notes to the financial statements*.

_____ 15.1d Has the government refrained from reporting healthcare benefits for retirees in the same fund as pension benefits? [Q&A 8.5.1, 8.5.4, and 8.5.5, GAAFR, page 47]

Explanation: Even if the participants make a single contribution to the plan and the plan's ability to provide healthcare benefits is conditioned on its ability to maintain sound funding of the pension benefits, the government should separately report the defined benefit pension plan and the OPEB plan.

If a defined benefit pension plan administers a postemployment healthcare plan that is funded by "excess investment earnings" (investment earnings for a particular year in excess of the long-term investment earnings assumption used for actuarial valuation purposes), the school district should report the arrangement described as two plans—a defined benefit pension plan and a postemployment healthcare (OPEB) plan.

_____ 15.1e* Do the combining statements for investment trust funds report separate columns for each individual governmental external investment pool? [GASB-S31:18; GAAFR, page 47]

Yes	No	N/A		
_____	_____	_____		
_____	_____	_____	15.1e1	If an entity uses investment trust funds to report both governmental external investment pools and individual investment accounts, are separate columns reported for each? [GASB-S31:20; GAAFR, page 47]
_____	_____	_____	15.1f*	Does each combining statement include a total column? [GAAFR, page 597 (example)]
_____	_____	_____	15.1f1	Are the amounts reported in the total column easily traceable to the corresponding column in the basic fund financial statements?
_____	_____	_____	15.2*	Does the financial section include combining statements for individual discretely presented component units that are <i>not</i> reported as either 1) a separate column in the government-wide financial statements or 2) a separate column in a component unit combining statement included within the basic financial statements? (GAAFR, page 596)

Explanation: The presentation of *condensed* financial statements for major discretely presented component units in the notes to the financial statements does *not* eliminate the need to present fully detailed combining statements for those same units.

_____	_____	_____	15.2a	Do the combining statements provide information on each individual component unit included? (GAAFR, page 596)
_____	_____	_____	15.2b	Do the combining statements include a total column? (GAAFR, page 597 example)
_____	_____	_____	15.2b1	Are the amounts reported in the total column easily traceable to the corresponding column in the basic financial statements?
_____	_____	_____	15.3	If a discretely presented component unit does not issue a separate report, is all of the fund information normally required by GAAP provided in the financial section of the primary government's comprehensive annual financial report? [GASB-S14:50; GAAFR, pages 599-600]

Explanation: That is, all required basic financial statements must be provided for 1) each major governmental fund, 2) each major enterprise fund, 3) nonmajor governmental funds in the aggregate, 4) nonmajor enterprise funds in the aggregate, 5) the internal service fund type, and 6) each of the fiduciary fund types.

_____	_____	_____	15.4	Are combining statements organized into subsections on the basis of fund category (i.e., governmental funds) and fund type (i.e., nonmajor enterprise funds, internal service funds, and each fiduciary fund type)? [GAAFR, page 598]
_____	_____	_____	15.4a	Is each subsection separated by a divider page? [GAAFR, pages 598-599]
_____	_____	_____	15.4a1	If the nature and purpose of each individual fund is not clear from its name, does the divider page provide the needed information? [GAAFR, pages 598-599]
_____	_____	_____	15.5	If individual fund financial statements are presented, are they located in the subsection to which they relate?
_____	_____	_____	15.5a	Are they placed behind the combining financial statements?
_____	_____	_____	15.5b	Are they sequenced in the same order as the related columns in the combining financial statements? [GAAFR, page 600]
_____	_____	_____	15.6*	If the financial reporting entity includes blended component units, has the government treated each of the nonmajor funds of the blended component units as a separate fund of the primary government in the combining statements [GASB-S61:9a]

Yes	No	N/A	
_____	_____	_____	15.7* If the financial reporting entity includes blended component units, has the government reclassified the general fund of the component units as special revenue funds? [GASB-S14:54; GAAFR, page 80]
_____	_____	_____	15.8 If individual fund financial statements are presented, do they provide additional information not already contained in the combining financial statements? [GAAFR, page 599]

Explanation: There is no reason to provide individual fund financial presentations unless these additional presentations furnish information not otherwise already available in the basic financial statements and the combining financial statements.

_____	_____	_____	15.9*+ If the budgetary comparisons included within the basic financial statements or RSI for the general fund and annually budgeted major special revenue funds do <i>not</i> demonstrate compliance at the legal level of budgetary control, does the governmental fund subsection of the financial section provide budgetary comparison schedules that do achieve this objective? [NCGA-S1:9c; NCGA-I10:14; GAAFR, page 599]
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Explanation: The *legal level of budgetary control* is the lowest level at which a government's management may not reallocate resources without special approval. In certain extreme cases, the legal level of budgetary control may be so detailed that it is not practical to demonstrate compliance within the comprehensive annual financial report (CAFR) itself. In such cases, a separate budgetary report may be issued to demonstrate compliance at the legal level of budgetary control, provided the CAFR contains a reference to the existence of this separately issued report. This reference to a separately issued budgetary report, however, does *not* eliminate the need to present budgetary comparisons within the CAFR for all individual governmental funds with legally adopted annual budgets. Rather, the level of detail needed for the individual fund budgetary comparisons need not exceed the level associated with the basic financial statements (that is, expenditures by function).

_____	_____	_____	15.10*+ Does the governmental fund subsection of the financial section provide budgetary comparison schedules that demonstrate compliance at the legal level of budgetary control for all other governmental funds with legally adopted annual budgets? [NCGA-S1:9c; NCGA-I10:14; GAAFR, page 599]
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Explanation: See explanation for 15.9.

_____	_____	_____	15.11* Do all budgetary schedules present information using the budgetary basis of accounting? [GAAFR, page 609, note 4]
_____	_____	_____	15.12 If the government reports agency funds, does the fiduciary fund subsection of the financial section include a statement of changes in assets and liabilities for each individual agency fund in either an individual fund or combining statement format? [NCGA-S1:143; GAAFR, pages 597-598]

[SECTIONS 16 AND 17 HAVE BEEN OMITTED FROM THIS CHECKLIST]

STATISTICAL SECTION

_____	_____	_____	18.1* Does the report include a statistical section? [NCGA-S1:138-139] If so:
_____	_____	_____	18.1a Does the statistical section separately present net position of governmental activities, business-type activities, and the total primary government by the three individual components of net position (i.e., net investment in capital assets; restricted; and unrestricted)? [GASB-S44:9; GASB-S63:9; GAAFR, pages 616-617]
_____	_____	_____	18.1b Does the statistical section separately present the changes in net position of governmental activities, business-type activities, and the total primary government? [GASB-S44:10-11; GAAFR, pages 617-618] If so:
_____	_____	_____	18.1b1 Are expenses reported by function, program, or identifiable activity?

Yes	No	N/A		
_____	_____	_____	18.1b2	Are program revenues reported by category (i.e., charges for services, operating grants and contributions, and capital grants and contributions)?
_____	_____	_____	18.1b2a	Are the most significant charges for services revenues presented by function, program, or identifiable activity?
_____	_____	_____	18.1b3	Does the table present total net (expense) revenue?
_____	_____	_____	18.1b4	Does the table present general revenues and other changes in net position by type?
_____	_____	_____	18.1b5	Does the table present the total change in net position?
_____	_____	_____	18.1c	Does the statistical section separately present information on the fund balances for the general fund and all other governmental funds in the aggregate? [GASB-S44:12; GAAFR, page 619] If so:
_____	_____	_____	18.1c1	Does the table separately present nonspendable, restricted, committed, assigned, and unassigned fund balance?

Explanation: GASB Statement No. 54 replaced the categories that previously had been used to classify fund balance. Governments are encouraged by the GASB to retroactively apply the provisions of GASB Statement No. 54 to fund balance data presented for years prior to the implementation of that pronouncement. However, it is only necessary for a government to apply the GASB Statement No. 54 categories prospectively beginning with the year that the pronouncement is implemented. In that case, an explanation of the nature of the differences from the prior information should be provided on the table.

_____	_____	_____	18.1d	Does the statistical section present the changes in fund balances for total governmental funds? [GASB-S44:12; GAAFR, pages 619-620] If so:
_____	_____	_____	18.1d1	Are revenues reported by source?
_____	_____	_____	18.1d2	Are expenditures reported by function?
_____	_____	_____	18.1d2a	Are debt service principal and interest expenditures shown separately?
_____	_____	_____	18.1d2b	Is a ratio of total debt service expenditures to noncapital expenditures presented?

Explanation: The amount of noncapital expenditures of governmental funds excludes the expenditures that are reported as capital assets on the accrual basis (i.e., in the government-wide financial statements). The total amount of noncapital expenditures excludes not only those amounts that are reported in governmental funds as a separate capital outlay line item, but also the amounts that are included within functional expenditure categories. Conversely, “capital outlay” for items that do not meet the capitalization threshold should be included as noncapital expenditures.

_____	_____	_____	18.1d3	Does the table include other financing sources and uses and other changes in fund balance by type?
_____	_____	_____	18.1d4	Does the table present the total change in fund balances
_____	_____	_____	18.1e	Does the statistical section present information for the major components of the revenue base of the government’s most significant source of own-source revenue? [GASB-S44:14-15; Q&A 9.12.4, 9.13.4, 9.13.7, and 9.15.3; GAAFR, pages 620-623]

Yes No N/A

Explanation: At a minimum, the government must present information for its most significant own-source revenue. The largest own-source revenue could be a tax in the governmental activities or a charge for service in the business-type activities if the revenues in the business-type activities provide a subsidy for general governmental activities. If a government has a second own-source revenue that is nearly as significant as the first, it should also consider presenting revenue capacity information for that second revenue source. For example, if a city is funded nearly equally by property taxes and sales taxes, it should consider presenting information for both own-source revenues rather than just the one judged to be most significant.

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|-------|-------|-------|--------|---|
| _____ | _____ | _____ | 18.1e1 | Does the table present the direct rate applied to the revenue base? |
| _____ | _____ | _____ | 18.1e2 | If information is provided for a property tax, does the table present the assessed value by major component (e.g., residential, commercial) and the total estimated actual value of taxable property? |
| _____ | _____ | _____ | 18.1e3 | If the government does not include the estimated actual value of property, is there an explanation on the face of the table why that is the case? |

Explanation: In cases where there is not a reasonable connection between the method used to assess property and the estimated actual value of the property, this latter information need not be presented. For example, assessed value may be based on the original purchase price of a piece of property with no adjustment (or minimal adjustments) to that amount until that same property is again sold.

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|-------|-------|-------|-------|---|
| _____ | _____ | _____ | 18.1f | Does the statistical section present each individual direct rate applied to the revenue base for the government's most significant own-source revenue and the total of those rates, as well as the rates of overlapping governments that are applied to that same revenue base? [GASB-S44:16; GAAFR, pages 623-625] |
|-------|-------|-------|-------|---|

Explanation: Generally, governments are overlapping if their geographic areas coincide at least in part. Regional governments are encouraged, but not required, to present revenue rate information for their overlapping governments. State governments need not consider the presentation of this information at all.

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|-------|-------|-------|--------|---|
| _____ | _____ | _____ | 18.1f1 | If a property tax is presented, are the direct rates those that relate to the taxes payable by taxpayers for the same year?

<i>When a government has a restriction on its ability to raise its direct rates, that limitation should be disclosed on the face of the table of direct and overlapping revenue rates. [GASB-S44:16]</i> |
|-------|-------|-------|--------|---|

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|-------|-------|-------|-------|---|
| _____ | _____ | _____ | 18.1g | Does the statistical section present information about the payors or remitters, as appropriate, for the government's largest own-source revenue? [GASB-S44:19-21; Q&A 9.22.1 and 9.22.3; GAAFR, page 625] |
|-------|-------|-------|-------|---|

Explanation: When legal prohibitions do not allow for the presentation of information by individual payors or remitters (e.g., individual state income tax payors), governments should present alternative information. For example, rather than including individual state income tax payors, a government could present a schedule that shows the amount of personal income taxes by income level for the two necessary periods.

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|-------|-------|-------|--------|---|
| _____ | _____ | _____ | 18.1g1 | Does the table include the amount of the revenue base attributable to each or the actual taxes levied on each and the percentage of each amount relative to the total revenue base or the total taxes levied? |
| _____ | _____ | _____ | 18.1g2 | Does the table include the ten largest payors or remitters unless fewer are required to reach 50 percent of the total revenue base or total taxes levied? |
| _____ | _____ | _____ | 18.1g3 | Is the information presented for the current fiscal period and the fiscal period ended nine years prior? |

Yes	No	N/A		
_____	_____	_____	18.1h	Does the statistical section present information for the government's property taxes? [GASB-S44:21; GAAFR, pages 625-626] If so:
_____	_____	_____	18.1h1	Is the amount of property taxes levied for each period presented?
_____	_____	_____	18.1h2	Does the table include the amount of the levy collected prior to the end of the period for which it is levied and the percentage that those collections represent of the total levy?
_____	_____	_____	18.1h3	Does the table include the amount of collections in subsequent periods, the total amount of the levy collected to date, and the percentage of the total levy collected to date
_____	_____	_____	18.1i	If the government is subject to a legal debt limit, does the statistical section present the calculation of the government's legal debt margin for the current year? [GASB-S44:29; GAAFR, pages 629-630] If so, does the statistical section present each of the following items for the last 10 years:
_____	_____	_____	18.1i1	The debt limit amount?
_____	_____	_____	18.1i2	Total net debt applicable to the limit?
_____	_____	_____	18.1i3	The legal debt margin amount?
_____	_____	_____	18.1i4	A ratio of either 1) the legal debt margin to the debt limit or 2) the total net debt applicable to the debt limit itself?
_____	_____	_____	18.1j	Does the statistical section separately present by type the outstanding debt of governmental activities and business-type activities, as well as include the total outstanding debt for the primary government? [GASB-S44:23-26; Q&A 9.24.1, 9.24.2, 9.26.1, 9.27.1, and 9.27.2; GAAFR, pages 626-627] If so:
_____	_____	_____	18.1j1	Does the statistical table include the ratio of total outstanding debt to personal income?

Explanation: If personal income information is not available for the government, another appropriate economic base should be used to calculate the amount. One example of an alternative is the estimated actual value of taxable property. Only debt, and not all long-term liabilities, should be included in the calculation of the ratio of total outstanding debt to personal income and in the ratio of total outstanding debt per capita. [Q&A 9.24.1]

_____	_____	_____	18.1j2	Does the statistical table include total personal income if not already presented with other demographic information?
_____	_____	_____	18.1j3	Does the statistical table include the amount of total outstanding debt per capita?

Explanation: In certain cases population is not an appropriate denominator to use for the calculation of the per capita amount of outstanding debt. In those cases a more relevant alternative should be used for the calculation. A public utility, for instance, could use the number of customers or rate payers rather than population. Only debt, and not all long-term liabilities, should be included in the calculation of the ratio of total outstanding debt to personal income and in the ratio of total outstanding debt per capita. [Q&A 9.24.1]

_____	_____	_____	18.1k	Does the statistical section present data on net bonded debt that will be repaid by general government resources? [GASB-S44:25-26; Q&A 9.28.2; GAAFR, pages 627-628]
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Yes	No	N/A		
_____	_____	_____		
_____	_____	_____	18.1k1	Are amounts for each type of outstanding debt separately presented along with the total of all debt outstanding?
_____	_____	_____	18.1k2	If the government has accumulated resources that are restricted for the repayment of outstanding debt <i>principal</i> , are those amounts separately presented and deducted from the total outstanding debt to arrive at the amount of net general bonded debt?
_____	_____	_____	18.1k3	Is a ratio of general bonded debt or net general bonded debt (when it is presented) to estimated actual value of taxable property included?

Explanation: When property taxes will not provide the resources for the repayment of the debt, an appropriate alternative base should be used for the calculation.

_____	_____	_____	18.1k4	Is general bonded debt or net general bonded debt (when it is presented) per capita included?
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Explanation: In certain cases population is not an appropriate denominator to use for the calculation of the per capita amount for total general bonded debt outstanding. In those cases a more relevant alternative should be used for the calculation. A public utility, for instance, could use the number of customers or rate payers rather than population.

_____	_____	_____	18.1L	Does the statistical section present information about direct and overlapping debt for governmental activities? [GASB-S44:27-28; GAAFR, pages 628-629]
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Explanation: Generally, governments are overlapping if their geographic areas coincide at least in part. County and regional governments are encouraged, but not required, to present revenue rate information for their overlapping governments. State governments need not consider the presentation of this information at all.

If so, does the statistical table include each of the following for the current year:

_____	_____	_____	18.1L1	The total for each type of outstanding debt?
_____	_____	_____	18.1L2	The percentage of overlap between the reporting government and the overlapping governments?

Explanation: The calculation of the percentage of overlap should be done using an appropriate base. When a property tax will provide the resources for the debt repayment, the relevant base would be the value of property. If another revenue base will be the source of resources for the repayment of the debt, the use of that base for the calculation would be more appropriate. If information about the relevant revenue base is unavailable or the resources for the debt repayment won't be derived from a specific revenue base, an alternative, such as population or personal income, should be used for the calculation.

_____	_____	_____	18.1L3	An explanation of the method used to determine the percentage of overlap for each type of debt?
_____	_____	_____	18.1L4	The amount of overlapping debt (i.e., the overlap percentage times the outstanding debt)?
_____	_____	_____	18.1L5	The total of all overlapping debt amounts?
_____	_____	_____	18.1L6	The total direct debt of the reporting government?
_____	_____	_____	18.1L7	The total amount of direct and overlapping debt?
_____	_____	_____	18.1m	Does the statistical section include coverage information for non-general obligation debt that is secured by a pledged revenue stream? [GASB-S44:30; <u>GAAFR</u> , page 630]

If so, does the statistical table include all of the following:

Yes	No	N/A		
_____	_____	_____	18.1m1	Separate information for each type of debt outstanding?
_____	_____	_____	18.1m2	The gross amount of pledged revenues and, if applicable, the amount of net available revenues after subtracting the specific operating expenses?
_____	_____	_____	18.1m3	The amount of debt service principal and interest requirements?
_____	_____	_____	18.1m4	The coverage ratio (i.e., net available revenue divided by the total debt service requirements)?
_____	_____	_____	18.1m5	A description of the nature of the revenue pledged for each type of debt?
_____	_____	_____	18.1n	Does the statistical section present demographic and economic indicators? [GASB-S44:32-33; GAAFR, pages 630-632]

Explanation: Governments should strive to present current data and other data specific to the government. Accordingly, a special-purpose government should consider other alternatives if population, total personal income, per capita personal income, and unemployment rate are not particularly relevant.

If so, are the following items included:

_____	_____	_____	18.1n1	Population?
_____	_____	_____	18.1n2	Total personal income (if not presented with the ratios of outstanding debt)?
_____	_____	_____	18.1n3	Per capita personal income?
_____	_____	_____	18.1n4	The unemployment rate?
_____	_____	_____	18.1o	Does the statistical section provide information about the principal employers in the government's jurisdiction? [GASB-S44:34; Q&A 9.34.1; GAAFR, pages 631-632] If so:
_____	_____	_____	18.1o1	Are the total employees and the percentage of total employment that each listed employer represents presented?
_____	_____	_____	18.1o2	Are the ten largest employers presented unless fewer are required to reach 50 percent of total employment?
_____	_____	_____	18.1o3	Is the information presented for the current fiscal period and the fiscal period ended nine years prior?
_____	_____	_____	18.1p	Does the statistical section provide operating information for the government? [GASB-S44:35-38; GAAFR, pages 632-633]

If so, are the following types of information presented:

_____	_____	_____	18.1p1	The number of the government's employees by function or identifiable activity, as applicable?
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Explanation: Alternative categorizations can be used if they are more meaningful or more obtainable than information by function, program, or identifiable activity.

Yes No N/A

18.1p2 Indicators of the level of demand for services by function or identifiable activity, as applicable?

Explanation: It is not necessary for governments to begin collecting information to present in this category. Instead, governments should choose relevant items from information which is already available. The government should select items that it believes provide an indication of the demand for and the volume of services it provides to its citizens. Examples of information that could be presented for police activity include crime rates, arrests, and 911 responses.

18.1p3 Available information about the volume, usage, or nature of the government's capital assets by function or identifiable activity, as applicable?

18.1q Does the statistical section discuss the methods used to produce the information it contains, as well as any significant assumptions that were made in the preparation of the information? [GASB-S44:41; GAAFR, page 634]

Explanation: In the case of a government that presents revenue capacity information about a property tax, this discussion could include the frequency of property assessments, an explanation of how estimated actual value is determined, and how that latter amount relates to assessed value (e.g., property is assessed at 50% of estimated actual value).

18.1r Does the statistical section include appropriate analytical and educational explanations? [GASB-S44:42; Q&A 9.47.1; GAAFR, page 634]

Explanation: Any narrative provided should serve to enhance the understandability of the data included in the statistical section. Preparers must exercise professional judgment to determine whether and to what extent such discussion should be included. Generally, the following four types of information are appropriate in the statistical section:

- Explanations of the objectives of statistical section information in general and the five categories of statistical section information, as well as individual schedules of information.
- Explanations of basic concepts that may be unfamiliar to financial report users.
- Explanations that identify relationships among the information in various statistical section schedules, as well as between the statistical section and information in other sections of the financial report.
- Explanations of atypical trends and anomalous data that the financial report users would not otherwise understand. Such trends and data may result from infrequent incidents, changes in underlying assumptions or accounting methods, organizational restructuring, major policy changes, or other events.

18.1s Do the amounts reported in the statistical tables agree with related amounts reported in the financial section?

18.1t Has the government indicated the source of all non-accounting data presented in the statistical section?

18.1u If the government has presented less than ten years of data on a statistical table that normally requires ten years of data, is the reason for this exception disclosed?

OTHER CONSIDERATIONS

19.1 Is the report free of inconsistencies? (If not, please specify.)

19.2* If the government participated in the Certificate of Achievement for Excellence in Financial Reporting Program in the immediately preceding fiscal year, has the government adequately remedied or otherwise responded to the comments and suggestions generated by the previous review? (If not, please specify.)

CHECKLIST SUPPLEMENT

ISSUED BUT NOT YET EFFECTIVE GASB PRONOUNCEMENTS

**GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*,
effective for fiscal periods beginning after December 15, 2012**

This Statement amends certain existing questions and explanations already on the checklist. Following are the changes necessary to the checklist because of this Statement.

The following question will be revised to emphasize that the change in the fair value of investments reported at fair value is not an item properly reported as a deferred outflows or inflows of resources and therefore must be reported on the operating statement in the period that the change occurs.

_____ 8.13* Has the government refrained from reporting a liability, deferred outflows of resources or deferred inflows of resources in connection with changes in the fair value of investments reported at fair value? [GASB-S31:13, 57]

Explanation to 5.2a will be expanded to list the following additional items that a government can appropriately report as deferred outflows of resources:

- For current refundings and advance refundings resulting in defeasance of debt the excess of the reacquisition price of the old debt over its net carrying amount
- A change in the provisions of a current capital lease that results from a current or advance refunding by the lessor who passes through the effect to the lessee (and the lease continues to qualify as a capital lease) which increases the lessee's lease obligation
- The resources that providers transmit to recipients before time requirements are met, but after all other eligibility requirements have been met
- The amount paid by the transferee government to the transferor government in an intra-entity sale of future revenues
- The loss on the sale of property that is accompanied by a leaseback of all or any part of the property for all or part of its remaining economic life
- Direct loan origination costs for mortgage banking activities where the loan is held for resale
- Fees paid to permanent investors in mortgage banking activities prior to the sale of the loans

Explanation to 5.2b will be expanded to list the following additional items that a government can appropriately report as deferred inflows of resources:

- For current refundings and advance refundings resulting in defeasance of debt the excess of the carrying value of the old debt over its reacquisition price
- A change in the provisions of a current capital lease that results from a current or advance refunding by the lessor who passes through the effect to the lessee (and the lease continues to qualify as a capital lease) which decreases the lessee's lease
- Amounts in imposed nonexchange revenue transactions that are received or reported as a receivable before (a) the period for which property taxes are levied or (b) the period when resources are required to be used or when use is first permitted for all other imposed nonexchange revenues in which the enabling legislation includes time requirements.
- Amounts in government-mandated nonexchange transactions and voluntary nonexchange transactions where recipients receive resources from a provider before time requirements are met, but after all other eligibility requirements have been met
- The amount that a transferor government receives as proceeds in a sale of future revenues transaction (except for instances wherein recognition as revenue in the period of sale is appropriate as discussed in paragraph 14 of GASB Statement No. 48)
- The gain on the sale of property that is accompanied by a leaseback of all or any part of the property for all or part of its remaining economic life

Yes No N/A

- In lending activities, the points received by a lender in relation to a loan origination
- Points received by a lender in mortgage banking activities where the loan is held for investment
- Origination fees, including any portion related to points, received by a lender in mortgage banking activities where the loan is held for resale
- Rate actions of a regulator that result in an acquisition of net assets from the regulated business-type activity's customers that is applicable to a future reporting period
- Unavailable revenues in governmental funds

The explanation to question 6.11a7 will be revised to reflect the change in the classification of deferred amounts on debt refundings as follows:

Explanation: Deferred outflows of resources and deferred inflows of resources on refundings relating to capital-related debt should be included in this calculation. In the case of a crossover refunding, the new debt does not qualify as capital-related debt until the crossover date (i.e., when the old debt is refunded). Accordingly, that debt should not be included in the calculation of the net investment in capital assets, until the crossover date.

The explanation to question 9.10a5 will be revised to reflect the change in the classification of deferred amounts on refundings as follows:

Explanation: Deferred outflows of resources and deferred inflows of resources on refundings relating to capital-related debt should be included in this calculation. In the case of a crossover refunding, the new debt does not qualify as capital-related debt until the crossover date (i.e., when the old debt is refunded). Accordingly, that debt should not be included in the calculation of the net investment in capital assets, until the crossover date.