
American Institute of Certified Public Accountants. Technical Information Division

Susan Cornwall

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Disclosure Checklists and Illustrative Financial Statements for State and Local Governmental Units
A FINANCIAL REPORTING PRACTICE AID
Disclosure Checklists and Illustrative Financial Statements for Corporations (Product No. 008515)

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Disclosure Checklists and Illustrative Financial Statements for State and Local Governmental Units (Product No. 008500)
Disclosure Checklists and Illustrative Financial Statements for State and Local Governmental Units

A FINANCIAL REPORTING PRACTICE AID

Edited by:
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Technical Manager
Technical Information Division

The Disclosure Checklists and Illustrative Financial Statements for State and Local Governmental Units have not been approved, disapproved, or otherwise acted upon by any senior technical committees of the American Institute of Certified Public Accountants, or the Financial Accounting Standards Board and have no official or authoritative status.

American Institute of Certified Public Accountants
DISCLOSURE CHECKLISTS AND ILLUSTRATIVE FINANCIAL STATEMENTS FOR STATE AND LOCAL GOVERNMENTAL UNITS

These checklists and illustrative financial statements are not designed to be applied to the financial statements of colleges, universities, hospitals or nonprofit organizations.

The checklists and illustrative financial statements included in this section have been developed by the staff of the Technical Information Division of the AICPA as nonauthoritative technical practice aids. At the request of certain AICPA members, these checklists and illustrative financial statements are also being made available for purchase by AICPA members subject to their recognition of the following:

- The checklists and illustrative financial statements are "tools" and in no way represent official positions or pronouncements of the AICPA.

- The checklists and illustrative financial statements have been updated through Codification of Governmental Accounting and Financial Reporting Standards, Second edition (GASB), Audits of State and Local Governmental Units (AICPA), SAS No. 61, FASB Statement of Financial Accounting Standards No. 99, FASB Interpretation No. 38, and FASB Technical Bulletin No. 87-3. The checklists and illustrative financial statements should be modified, as appropriate, for subsequent pronouncements. In determining the applicability of a pronouncement, its effective date should also be considered.

- The checklists and illustrative financial statements should be used by or under the supervision of persons having adequate technical training and proficiency in the application of generally accepted accounting principles and generally accepted auditing standards. A thorough knowledge of the provisions of "Codification of Governmental Accounting and Financial Reporting Standards, (June 1987)," The U.S. General Accounting Office's "Government Auditing Standards" (GAO's Standards for Audit, 1988 Revision), and the AICPA's "Audits of State and Local Governmental Units," (1986) is required for proper implementation of these checklists.

- The checklists and illustrative financial statements do not represent minimum requirements and do not purport to be all-inclusive. The referenced standards should be reviewed if clarification is desired as to whether the disclosures indicated are required or suggested and to what extent each disclosure is relevant to the statements being reviewed.
These checklists and illustrative financial statements are applicable for audits done in accordance with Generally Accepted Auditing Standards (GAAS) and Government Auditing Standards (GAGAS). They may require some modification for audits done in accordance with GAAS only.

Users of these checklists and illustrative financial statements are urged to refer directly to applicable authoritative pronouncements when appropriate. If you have any further questions, call the AICPA Technical Hotline (see back cover).

John Graves
Director
Technical Information Division
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INTRODUCTION

An increasing number of state and local governments are preparing financial statements in conformity with generally accepted accounting principles (GAAP), and more of those statements are being audited in accordance with generally accepted auditing standards (GAAS). The increased demand for improved financial reporting has resulted in a number of recent significant changes in government financial reporting.

ACCOUNTING STANDARDS

Since its establishment in 1984, the Governmental Accounting Standards Board (GASB) has been the primary source of generally accepted accounting principles for governments. According to SAS No. 52, "Omnibus Statement on Auditing Standards - 1987" (AICPA Professional Standards, AU Sec. 411), statements and interpretations issued by the GASB are now recognized within category (a) as a source of established accounting principles, "Accounting principles promulgated by a body designed by the AICPA Council to establish such principles, pursuant to rule 203 (ET section 203.01) of the AICPA Code of Professional Conduct." Technical Bulletins issued by the GASB are included within category (b), "Pronouncements of bodies composed of expert accountants that follow a due process procedure, including a broad distribution of proposed accounting principles for public comment, for the intended purpose of establishing accounting principles or describing existing practices that are generally accepted". The GASB's first pronouncement, Authoritative Status of NCGA Pronouncements and AICPA Industry Audit Guide, issued in June of 1984, endorsed prior statements and interpretations of the National Council on Government Accounting. This position was codified by GASB on November 1, 1984, with the publication of its Codification of Governmental Accounting and Financial Reporting Standards. GASB pronouncements issued after that date may alter, amend, supplement, revoke, or supersede the guidance in the Codification. The second edition of the codification was issued in June 1987.

AUDITING STANDARDS

In 1972, the Comptroller General of the United States issued Standards for Audit of Governmental Organizations, Programs, Activities and Functions, (Standards for Audit issued by the GAO (U.S. General Accounting Office)). Those standards were revised and reissued in 1981 and 1988 (now referred to as Government Auditing Standards). These government auditing standards adopt and incorporate all of the existing AICPA's Statements on Auditing Standards for field work and reporting for financial statement and financial related audits. Additionally, all future Statements are automatically included unless the General Accounting Office specifically excludes them by formal announcement. The additional governmental standards, beyond the generally accepted standards of the AICPA, relate principally to requirements for (a) performing reviews and tests for compliance with federal laws and regulations and including in a compliance report positive assurance on items tested and certain other compliance reporting requirements; (b) submit-
ting a detailed report on the study and evaluation of internal accounting controls, which is not required by the AICPA's generally accepted accounting standards; (c) stating the audit was performed in accordance with the Standards for Audit issued by the GAO.

In 1979 the federal Office of Management and Budget (OMB) established a single audit concept for federally assisted programs by the issuance of attachment P to Circular A-102, the administrative guidelines for federal grants and contracts awarded to state and local governments. This concept was incorporated into law by the passage, in October, of the Single Audit Act of 1984. Later, in April 1985, OMB issued Circular A-128, "Audits of State and Local Governments," which superseded attachment P. Circular A-128 was issued as the implementing regulation for the Single Audit Act. The Act, along with Circular A-128, established more detailed auditing and reporting requirements for those governmental units receiving $100,000 or more of federal assistance in any fiscal year.

THE ACCOUNTING SYSTEM

The accounting system of governments, unlike the private sector, is on a fund accounting basis. A fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. There are four governmental funds - general, special revenue, capital projects, and debt service funds; two proprietary funds - enterprise and internal service funds; one fiduciary fund - trust and agency fund; and two account groups - general fixed assets and general long-term debt account groups. Only the minimum number of funds consistent with legal and operating requirements should be established. Fixed assets related to specific proprietary funds or trust funds should be accounted for through those funds. All other fixed assets of a governmental unit should be accounted for through the general fixed asset account group. Long-term liabilities of proprietary funds and trust funds should be accounted through those funds. All other unmatured general long-term liabilities of the governmental unit, including special assessment debt for which the government is obligated in some manner, should be accounted for through the General Long-Term Debt Account Group.

BASIS OF ACCOUNTING

Governments use the accrual or modified accrual basis of accounting as appropriate. Governmental funds use the modified accrual basis of accounting to recognize revenues and expenditures. Revenues are recognized in the accounting period in which they become available and measurable. Available means then due, or past due and receivable within the current period, or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest
on general long-term debt which should be recognized when due. Property fund revenues and expenses are recognized on the accrual basis. Revenues are recognized in the accounting period in which they are earned and become measurable and expenses are recognized in the period incurred, if measurable. Fiduciary funds recognize revenues and expenses or expenditures on the basis consistent with the fund's accounting measurement objective. Nonexpendable trust and pension trust funds are accounted for on the accrual basis; expendable trust funds are accounted for on the modified accrual basis. Agency fund assets and liabilities are accounted for on the modified accrual basis.

BUDGETING

An annual budget should be adopted by every governmental unit. The accounting system should provide the basis for appropriate budgetary control. A common terminology and classification should be used consistently throughout the budget, the accounts, and the financial reports of each fund.
Disclosure Checklists - General

Note 1: These checklists cover GAAP disclosures applicable to general purpose financial statements (GPFS) and do not address additional disclosures applicable only to a comprehensive annual financial report (CAFR).

.01 Many auditors and accountants find it helpful to use checklists as practice aids in the preparation of financial statements and reports. Some firms have developed their own checklists for internal use, and may also have specialized checklists to meet the needs of their practices, such as checklists for clients in particular industries or clients that report to the SEC. Some state CPA societies have developed checklists as practice aids which may be available to other practitioners as well as to their own members. Some commercial publishers also include checklists in certain of their publications. However, authoritative literature does not require the use of such checklists, nor does it prescribe their format or content, which may vary.

.02 Checklists typically consist of a number of brief questions or statements that are accompanied by references to a GASB or FASB Statement or Interpretation, an APB Opinion, or an AICPA Accounting Research Bulletin. The extent of detail included in checklists varies with the judgment of the preparers on how extensively to refer to and highlight authoritative literature without developing a checklist that is too long and unwieldy. Accordingly, checklists may serve as convenient memory aids but cannot be used as a substitute for direct reference to the authoritative literature.

.03 Checklists usually provide for checking off or initialling each question or point to show that it has been considered. The format used in these sections is a typical one; it provides for "yes," "no," and "not applicable" answers and presumes that remarks would be prepared on separate cross-referenced memorandums. Some preparers, however, prefer to include space for remarks in the body of the checklist while others prefer alternative checklist formats. For example, a checklist format may provide for the following set of answers: "not applicable," "not material," "in statements" and "in note" (with provisions for indicating a cross-reference to the specific statement caption or note). Another format may provide for only two answers, "disclosed" and "not applicable." Firms and practitioners who develop their own checklists should adopt formats that suit their needs and preferences.

.04 Disclosure checklists are generally accompanied by caveats that include all of the following points:

- Use of the checklists requires the exercise of individual professional judgment and may likely require some modification based on the circumstances of individual engagements.
The checklists are not all-inclusive and are not intended to present minimum requirements.

Users need to modify the checklists for any pronouncements issued subsequent to those mentioned in the checklist.

If widespread circulation is expected, the preparers also generally stress the nonauthoritative or unofficial status of the checklists and disclaim responsibility for the way they may be used.

.05 Determine whether any pronouncements issued after May 1, 1988 have a bearing on the financial statements considered.

.06 Verify that all the comments and suggestions made by prior reviewers have been checked for current applicability or whether follow-up for the current year was advised. (This applies to in-house or external reviewers, e.g., GAO, etc.)
Financial Section - Auditor's Report

.01 These checklists have been developed by the staff of the Technical Information Division of the AICPA as a nonauthoritative practice aid. Accordingly, the notice on page 1 is incorporated herein by reference.

.02 Explanation of references:

GACAS = Generally accepted government auditing standards - Those auditing standards set forth in the publication "Government Auditing Standards." ("Yellow Book") issued by GAO, 1988 Revision

GAO = General Accounting Office

SAS = Statements on Auditing Standards

(AU) = Reference to section number in AICPA Professional Standards (Vol. 1) of SAS cited

GASB = Codification of Governmental Accounting and Financial Reporting Standards, second edition, by the Governmental Accounting Standards Board (revised June 1987)

SFAS = Statements of Financial Accounting Standards

FASB = Reference to FASB number in Accounting Standards, Original Pronouncements or to Accounting Standards, Current Text

ASLGU = Audit and Accounting Guide, AICPA, 1986, Audits of State and Local Governmental Units

.03 Checklist Questionnaire

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<th>Yes</th>
<th>No</th>
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<tr>
<td>1. Does the auditor's report include appropriate:</td>
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<td>a. Addressee? [SAS 58, par. 9]</td>
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<td>2. Does the report of the independent auditor precede the basic financial statements? [GASB 1, Sec. 2200.102 (GASB Cod. Sec. 2200.102)]</td>
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3. Does the auditor's report:

   a. Adequately identify the governmental reporting entity?  
   [GASB 1, Sec. 2100.122 (GASB Cod. Sec. 2100.122)]

   b. Cover all funds and account groups of the reporting entity and include both (a) the general purpose financial statements (GPFS) by fund type and account group and (b) combining statements by fund type and individual fund statements?  
   [GASB 1 Sec. 2100.102, 2200.100 and .101 (GASB Cod. Sec. 2100.102, 2200.100 and .101)]

   c. Indicate that all includable component units have been audited?  
   [ASLGU, Ch. 18, par. 29]

   d. Make reference to other auditors?  

   e. If the answer to 3d is yes, is disclosure made of the magnitude of the financial statements examined by the other auditors, as well as identification of the fund types and account groups in which the amounts are included?  
   [SAS 1, par. 543 (AU 543.03); SAS 58, par. 12; ASLGU, Ch. 18, par. 38]

   f. Does the report cover the general purpose or component unit financial statements?  
   [ASLGU, Ch. 18, pars. 30-31]

4. If the auditor is not independent, has the appropriate disclaimer been expressed regardless of the extent of services provided?  
   [SAS 1, Sec. 220 (AU 220)]

5. Does the reporting language conform with the auditor's standard report on:

   a. Financial statements of a single year or period?  
   [SAS 58, par. 8]

   b. Comparative financial statements?  
   [SAS 58, par. 8; ASGLU, Ch. 18, par. 27]
6. Does the report include appropriate language in respect of the following:

a. Report of a predecessor auditor for prior year has not been included with current comparative financial statements?  
   [SAS 7 (AU 315); SAS 58, par. 83]  
   Yes  No  N/A

b. Date (or dual dates) of the report?  
   [SAS 1, sec. 530 (AU 530); SAS 26, pars. 15-17 (AU 504.15-17); SAS 58, par. 74]  
   Yes  No  N/A

c. Comparative financial statements with differing opinions on individual financial statements?  
   [SAS 58, pars. 74-76]  
   Yes  No  N/A

d. Does the auditor's report on internal control cover their understanding of the entity's internal control structure and the assessment of control risk made as part of a financial statement audit, or a financial related audit?  
   [GAGAS, Ch. 5, p. 5-6; SAS 30 (AU 9642.18-25]  
   Yes  No  N/A

e. Does the report on internal control include as a minimum:

   1. The scope of the auditor's work in obtaining an understanding of the internal control structure and in assessing the control risk?  
      Yes  No  N/A

   2. The entity's significant internal controls established to ensure compliance with laws and regulations that have a material impact on the financial statements and results of the financial related audit?  
      Yes  No  N/A

   3. The reportable conditions, including the identification of material weaknesses, identified as a result of the auditor's work in understanding and assessing the control risk?  
      [GAGAS, Ch. 5, p. 6 and Ch. 7, p. 6]  
      Yes  No  N/A

f. Does the compliance report cover the auditor's tests of compliance with laws and regulations and include all significant instances of non-compliance and abuse?  
   [GAGAS, Ch. 5, p. 2 and Ch. 7, p. 7]  
   Yes  No  N/A
g. Does the compliance report contain:

1. A statement of positive assurance for those items which were tested for compliance and negative assurance on those items not tested?  
   Yes  No  N/A

2. All material instances of noncompliance, and all instances or indications of illegal acts which could result in criminal prosecution?  
   [GAGAS, Ch. 5, p. 2 and Ch. 7, p. 7]

h. Does the report on the general purpose or component unit financial statements cover all the required matters concerning the financial position and results of financial operations of the entire governmental unit and, if applicable, changes in financial position for all proprietary and similar trust funds?  
   [ASLGU, Ch. 18, par. 21]

i. Does the wording of the report contain a statement that the examination was made in accordance with generally accepted government auditing standards as well as in accordance with generally accepted auditing standards?  
   [GAGAS, Ch. 5, p. 1]

j. If the report is on one basic financial statement, does the report indicate that there are no scope limitations?  
   [SAS 58, par. 47]

k. Audited and unaudited financial statements in comparative form?  
   [SAS 26, pars. 9 and 27 (AU 504.14-17)]

l. Is abuse or illegal acts that auditors become aware of covered in either the overall report or a separate report if including them in the overall report would compromise investigation or legal proceedings or otherwise preclude the report from being released to the public?  
   [GAGAS, Ch. 7, p.9]

7. Has explanatory language been added to the standard auditor's report if:
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<tr>
<td><strong>a.</strong> The auditor's opinion is based in part on the report of another auditor? [SAS 58, pars. 12 and 13]</td>
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<td><strong>b.</strong> The financial statements contain a departure from an accounting principal promulgated by a body designated by the AICPA Council to establish such principles? [SAS 58, pars. 14 and 15]</td>
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<td><strong>c.</strong> The financial statements are affected by uncertainties concerning future events, the outcome of which is not susceptible of reasonable estimation at the date of the auditor's report? [SAS 58, pars. 16-33]</td>
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<td><strong>d.</strong> There is a substantial doubt about the entity's ability to continue as a going concern? [SAS 59, par. 12]</td>
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<td><strong>e.</strong> There has been a material change between periods in accounting principles or in the method of their application? [SAS 58, pars. 34-36]</td>
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<td><strong>f.</strong> In an updated report on comparative financial statements the opinion(s) on the prior period(s) is different from the one(s) previously expressed? [SAS 58, pars. 77, 78 and 81-83]</td>
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<td><strong>g.</strong> Supplementary information required by the Financial Accounting Standards Board (FASB) or the Governmental Accounting Standards Board (GASB) has been omitted, the presentation of such information departs materially from FASB or GASB guidelines, the auditor is unable to complete prescribed procedures with respect to such information, or the auditor is unable to remove substantial doubts about whether the supplementary information conforms to FASB or GASB guidelines? [SAS 52, par. 2]</td>
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<td><strong>h.</strong> Other information in a document containing audited financial statements is materially inconsistent with information appearing in the financial statements? [SAS 8 (AU 550)]</td>
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i. A matter regarding the financial statements needs to be emphasized?
[SAS 58, par. 37]  

8. Has a qualified opinion or disclaimer of opinion been considered if:

   a. Scope limitations precluded application of one or more auditing procedures considered necessary in the circumstances?
   [SAS 31, par. 22 (AU 326.23), SAS 58, pars. 40-44]  

   b. As a result of the criteria established by GASB Cod. Sec. 2100, many governmental units' financial reports have been expanded to include component units that were previously reported separately. Where the financial statements of those units are unaudited, has the auditor's opinion on the general purpose financial statements been qualified or disclaimed, depending on the materiality of the unaudited component unit to the governmental unit's financial statements?
   [ASLGU, Ch.18, par.37]  

9. If the auditor is engaged to examine the combining and individual fund and account group financial statements in addition to a GPFS or CUFS, does the auditor's opinion address each presentation as a primary statement? If supporting schedules accompany those financial statements, does the auditor's opinion state whether the information in those schedules is presented fairly in conformity with GAAP in all material respects in relation to the financial statements of each of the individual funds and account groups taken as a whole or disclaim an opinion on such information?
   [ASLGU, Ch. 18, par. 31]  

10. If additional information, including statistical data, accompanies the general purpose or component unit financial statements, does the auditor indicate in his report the degree of responsibility, if any, he is taking?
   [SAS 29, par. 5 (AU 551.05)]  

11. Has a qualified opinion or adverse opinion been expressed if the following circumstances are present?
a. Lack of conformity with generally accepted accounting principles (including inadequate disclosure)?

[SAS 32, par. 3, (AU 431.03); SAS 34, par. 11 (AU 340.11); SAS 58, pars. 49-66; SAS 54, par. 18]

b. The reporting entity has included some, but not all, component units in the reporting entity financial statements?

[ASLGU, Ch. 18, par. 33]

c. If financial statements for funds, fund types or account groups that should be included in the GPFS or CUFS (such as the general fixed assets account group or an enterprise fund) are omitted, has the auditor expressed a qualified or an adverse opinion because of a GAAP departure?

(ASLGU, Ch. 18, par. 34)

(1) Does the qualified or adverse auditor's report include an explanatory paragraph that describes the omitted fund or account group?

(2) Does the explanatory paragraph disclose the effects on the financial statements, if reasonably determinable?

[ASLGU, Ch. 18, par. 34]

12. Where the circumstances are such that an oversight unit issues its separate component unit financial statements that exclude all other component units considered a part of the reporting entity, are the limitations of the financial statements clearly disclosed so as to prevent the misinterpretation that these are the complete financial statements of the reporting entity?

[ASLGU, Ch. 18, par. 32]

13. If the auditor has been engaged to examine financial statements of only a specified fund or group of funds that are not intended to present fairly financial position, results of operations, or changes in financial position of either the reporting entity or component unit in conformity with GAAP, does the auditor's report include a middle paragraph calling attention to the fact that the financial statements are not intended to
14. For Special Reports,* have the provisions of SAS Nos. 14 and 35 been complied with regarding:

a. Statements prepared in accordance with a comprehensive basis of accounting other than generally accepted accounting principles?
   [SAS No. 14, pars. 2-8 (AU 621.02-.08)]

b. Specified elements, accounts or items of a financial statement?
   [SAS No. 14, pars. 9-14 (AU 621.09-.14); SAS No. 35 (AU 622)]

c. Compliance with aspects of agreements or regulatory requirements relating to audited financial statements?
   [SAS No. 14, pars. 18-19 (AU 621.18-.19)]

d. Financial information that requires a prescribed form of auditor's report?
   [SAS No. 14, pars. 20-21 (AU 621.20-.21)]

15. If the independent auditor was engaged to examine financial statements presented in conformity with neither GAAP nor any other comprehensive basis of accounting, has the standard form of report been used and modified because of the departure from GAAP?
   [ASLGU, Ch. 18, par. 40]

16. Where local or state governmental regulations require that larger CPA firms employ minority or smaller firms or both to participate in the examination, is the report on the examination signed by the individual or firm that has complied with GAAS and is in a position to justify being the only signatory of the report?
   [ASLGU, Ch. 18, par. 41; SAS 1, sec. 543 par. 4 (AU 543.04)]

*Note: The Auditing Standards Board has issued an exposure draft of a proposed statement on auditing standards, "Special Reports" dated August 31, 1988. It will supersede SAS No. 14, "Special Reports" and Interpretations of SAS No. 14 and will include guidance when issuing a special report. The exposure draft prescribes a new special report form that parallels the form of the new auditor's report in SAS No. 58.]
17. If a qualified opinion, adverse opinion or disclaimer of opinion is expressed:

   a. Are all the substantive reasons for the opinion or disclaimer disclosed?
      [SAS 58, pars. 39 and 71]

   b. Is the reporting language clear and appropriate for the -

      (1) Qualified opinion?
      [SAS 58, pars. 38-66]

      (2) Adverse opinion?
      [SAS 58, pars. 67-69]

      (3) Disclaimer of opinion?
      [SAS 58, pars. 70-72]

18. Does the report include modification, if applicable, for the following:

   a. Conditions that precluded application of necessary auditing procedures to opening inventories and/or long-term investments?
      [SAS 1, sec. 542.05-.06 (AU 542.05-.06)]

   b. Inadequate disclosure?
      [SAS 1, sec. 545 (AU 545)]

   c. Client representations about related party transactions?
      [SAS 45, par. 2 (AU 334.12)]

   d. Client's refusal to provide written representation?
      [SAS 19, par. 11 (AU 333.11)]

   e. Limitations on scope of lawyer's response?
      [SAS 12, pars. 12-14 (AU 337.12-.14)]

   f. Unresolved matters involving specialists?
      [SAS 11, par. 9 (AU 336.09)]

   g. Financial statements materially affected by an irregularity?
      [SAS 53, par. 26]

   h. Illegal acts by clients?
      [SAS 54]
1. Material misstatement of the financial statements?
   [SAS 47, par. 31 (AU 312.31)]

j. Financial statements issued before the effective date of a Statement of Governmental Accounting and Financial Reporting Standards (GAFRS) or Statement of Financial Accounting Standards (SFAS) when disclosure is not made of the effect of a restatement which will be required in the future as a result of the GASB or FASB Statement?
   [Interpretation 3 of SAS 1, section 410 (AU 9410.13-.15)]

19. Has a piecemeal opinion been avoided?
   [SAS 14, par. 12 (AU 621.12) SAS 58, par. 73]

20. If the auditor is reporting on financial statements prepared on a comprehensive basis of accounting other than generally accepted accounting principles, has the auditor considered whether the financial statements (including the accompanying notes) include all informative disclosures that are appropriate for the basis of accounting used?
   [Interpretation 8 of SAS 14, section 621 (AU 9621.34-.39)]

21. If an audit was required by the Single Audit Act, does the auditor's report(s) include references to the GAO's Government Auditing Standards (1988 Revision), where required, and contain the following:

   (a) The auditor's report on an examination of the entity as a whole, or the department, agency, or establishment covered by the audit?
      [ASLGU, Ch. 17, par. 28 and Ch. 23, par. 1]

   (b) The auditor's report on a supplementary schedule of the entity's Federal financial assistance programs, showing, at a minimum, total expenditures for each Federal assistance program?
      [ASLGU, Ch. 17, par. 29 and Ch. 23, par. 1]

   (c) The auditor's report on internal controls (accounting and administrative) identifying:
(i) The entity's significant internal accounting controls and those controls designed to provide reasonable assurance that Federal programs are being managed in compliance with laws and regulations? [ASLGU, Ch. 21, par. 9]

(ii) The controls that were evaluated? (Note: Controls over major federal programs must be studied and evaluated, no exceptions permitted.)

(iii) The controls that were not evaluated?

(iv) The material weaknesses identified as a result of the evaluation?

(v) If applicable, the reasons why no study of internal controls was made? [ASLGU, Appendix E, OMB Circular No. A-128 item 13a(2)]

d) The auditor's report on compliance including:

(i) **For major Federal financial assistance programs:**

An opinion that the entity administered each of its major Federal financial assistance programs in compliance, in all material respects, with laws and regulations pertaining to financial reports and claims for advances and reimbursements?

(ii) **For nonmajor Federal financial assistance programs:**

A statement of positive assurance with respect to those items tested for compliance, including compliance with laws and regulations pertaining to financial reports and claims for advances and reimbursements?

Negative assurance on those items not tested? [ASLGU, Ch. 21, par. 19]
(iii) **For all programs:**

A summary of all instances of noncompliance?

An identification of total amounts questioned, if any, for each Federal financial assistance award, as a result of noncompliance?
[ASLGU, Ch. 21, par. 19]

(e) When appropriate, did the auditor issue a separate report on fraud, abuse, or illegal acts, or indications of such acts?
[ASLGU, Ch. 23, par. 1]

(f) If required by contractual obligations, were findings presented in accordance with the guidance in the GAO's Standards for Audit (1988 Revision) regarding reporting on performance audits?
[GAGAS, Ch. 2, pp. 3-5]
Financial Section - Financial Statements

.01 These checklists have been developed by the staff of the Technical Information division of the AICPA as a nonauthoritative practice aid. Accordingly, the notice on page 1 is incorporated herein by reference.

.02 Explanation of references:

TPA = Technical Practice Aids
ARB = Accounting Research Bulletin
APB = Accounting Principles Board Opinion
SFAS = Statement of Financial Accounting Standards
SAS = Statement on Auditing Standards
FASBI = Financial Accounting Standards Board Interpretation
TB = Technical Bulletin issued by the staff of the FASB
(AC) = Reference to section number in FASB Accounting Standards Current Text
(AU) = Reference to section number in AICPA Professional Standards (vol. 1) of SAS cited
OMB = Office of Management and Budget Circular No. A-110
GPFS = General Purpose Financial Statements
CAFR = Comprehensive Annual Financial Report
ASLGU = Audits of State and Local Governmental Units, AICPA, 1986
GASB = Governmental Accounting Standards Board Statement
GASBI = Governmental Accounting Standards Board Interpretations

.03 This checklist is organized into the following classifications:

General
A. Titles and Memoranda
B. Significant Accounting Policies
C. Accounting Changes
D. Comparative Financial Statements
E. Nonmonetary Transactions
F. Contingencies and Commitments
G. Subsequent Events

¹The FASB staff issues FASB Technical Bulletins to provide guidance concerning the application of FASB Statements or Interpretations, APB Opinions, or Accounting Research Bulletins. FASB Technical Bulletins do not establish new financial accounting and reporting standards or amend existing standards.
H. Related Party Transactions
I. Component Units

Combined Balance Sheet

A. Titles, References and Content
B. Cash and Investments
C. Notes and Accounts Receivable
D. Inventories
E. Fixed Assets
F. Lessors
G. Other Assets and Deferred Charges
H. Liabilities
I. Lessees
J. Other Liabilities and Deferred Credits
K. General Long-Term Debt
L. Fund Balance

Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types (and Similar Trust Funds)

A. General
B. Property Taxes
C. Sales Taxes
D. Income Taxes
E. Grants, Entitlements or Shared Revenues
F. Expenditures
G. Related Party Transactions
H. Depreciation
I. Transfers

Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General and Special Revenue Fund Types

A. General

Combined Statement of Revenues, Expenses, and Changes in Retained Earnings - All Proprietary Fund Types (and Similar Trust Funds)

A. General
B. Extraordinary Items
C. Grants, Entitlements or Shared Revenues
D. Interest
E. Transfers
F. Related Parties
G. Depreciation
H. Nonmonetary Transactions
I. Gains on Sales of Securities
J. Futures Contracts  
K. Research and Development Costs  
L. Changes in Fund Balances/Retained Earnings  
M. Segment Information  

Combined Statement of Changes in Financial Position - All Proprietary Fund Types (and Similar Trust Funds)  

A. Title  
B. Trust Fund Data  
C. Format and Content  
D. Comparability  

Other Disclosures  

I. Pension Disclosures  
A. Pension Plans—Separately Issued PERS Reports  
B. Pension Disclosures in Employer Financial Reports  
C. Single Employer PERS Included as a Pension Trust Fund in the Employer Reporting Entity  
D. Multi-Employer PERS Included as a Pension Trust Fund in the Employer Reporting Entity  
E. Employers Contributing to Cost Sharing Multi-Employer PERS  
F. Component Units' Pension Information in the Reporting Entity's Financial Reports  
G. Noncontributing Employers  
H. Unfunded Pension Arrangements  
I. Reporting by Nonemployer Contributors  
J. Defined Contribution Pension Information  

II. Deferred Compensation Plans Under Internal Revenue Code Section 457  

III. Special Assessments  

IV. Investments Accounted for by the Equity Method and Joint Ventures
## Checklist Questionnaire

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### GENERAL

#### A. Titles and Memoranda

1. Are all financial statements titled properly?  
   [GASB 1 Sec. 2200.106 (GASB Cod. Sec. 2200.106); SAS 14, par. 7 (AU 621.07)]

2. If totals by account are presented in the General Purpose or Component Unit (Combined) Financial Statements, are totals noted as memoranda only?  
   [GASB 1 Sec. 2200.113 (GASB Cod. Sec. 2200.113); ASLGU, Chap. 18 par. 9]

#### B. Significant Accounting Policies

1. Is a summary of significant accounting policies shown separately as a stand-alone summary?  
   [GASB 1 Sec. 2300.108 (GASB Cod. Sec. 2300.108); APB 22, par. 8 (AC A10.102)]

2. If the summary of significant accounting policies is shown separately as a stand-alone summary, has each page of the GPFS been referenced to the summary?  
   [GASB 1 Sec. 2300.108 (GASB Cod. Sec. 2300.108)]

3. Does the summary of significant accounting policies address the following:
   
   a. Criteria used to determine the scope of the reporting entity?  
      [GASB 1, Sec. 2300.104a (GASB Cod. Sec. 2300.104a); GASB 1, Sec. 2600.115 (GASB Cod. Sec. 2600.115)]

   b. Revenue and expenditure recognition policies (i.e., measurement focus and basis of accounting)?  
      [GASB 1, Sec. 2300.104a (GASB 2300.104a); GASB 1, Sec. 1600.108 (GASB Cod. Sec. 1600.108)]
c. Method of encumbrance accounting and reporting?
   [GASB 1, Sec. 2300.104a (GASB Cod. Secs. 2300.104a); GASB 1, Sec. 1700.130 (GASB Cod. Sec. 1700.130)]

   Yes  No  N/A
   [ ]   [ ]   [-]


d. Policy with regard to reporting infrastructure assets, including budgetary accounting?
   [GASB 1, Sec. 2300.104a (GASB Cod. Secs. 2300.104a); GASB 1, Sec. 1400.109 (GASB Cod. Sec. 1400.109)]

   [ ]   [ ]   [-]


e. Policy with regard to capitalization of interest costs on fixed assets?
   [GASB 1, Sec. 2300.104a (GASB Cod. Secs. 2300.104a); GASB 1, Sec. 1400.111 (GASB Cod. Sec. 1400.111)]

   [ ]   [ ]   [-]


f. Description of the specific reasons for excluding any agencies or component units that meet the criteria in NCGA Statement No. 3?
   [GASB 1, Sec. 2100.121 and 122 (GASB Cod. Secs. 2100.121 and 122)]

   [ ]   [ ]   [-]


g. The extent to which fixed asset costs have been estimated and the methods of estimation?
   [GASB 1, Sec. 1400.112 (GASB Cod. Sec. 1400.112); GASB 1, Sec. 2300.105n (GASB Cod. Sec. 2300.105n)]

   [ ]   [ ]   [-]


h. The use of the modified accrual basis for governmental fund types?
   [GASB 1, Sec. 1600.105 (GASB Cod. Sec. 1600.105)]

   [ ]   [ ]   [-]


i. Nature and amount of inconsistencies in financial statements caused by transactions between component units having different fiscal year-ends?
   [GASB 1, Sec. 2300.105s (GASB Cod. Sec. 2300.105s); GASB 1, Sec. 2600.113 (GASB Cod. Sec. 2600.113)]

   [ ]   [ ]   [-]


j. Have changes in the fiscal year-ends of component units included in the reporting entity been disclosed?
   [GASB 1, Sec. 2600.114 (GASB Cod. Sec. 2600.114)]

   [ ]   [ ]   [-]
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<th>No</th>
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<td><strong>k.</strong> Basis of presentation-fund accounting, including fund categories/generic fund types, account groups, total columns used in combined financial statements and the effects of component units with differing fiscal year-ends? [GASB Cod. Sec. 2300.601].</td>
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<td><strong>l.</strong> The policy with regard to expenditure recognition of inventories; purchases or consumption method? [GASB 1, Sec.1600.122a (GASB Cod. Sec. 1600.122a)]</td>
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<td><strong>m.</strong> Policy with regard to vacation and sick leave? [GASB 1, Sec.C60 (GASB Cod. Sec. C60)]</td>
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<td><strong>n.</strong> Policy with regard to investments? [GASB 3, (GASB Cod. Sec. I50)]</td>
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**C. Accounting Changes**

1. For an accounting change does disclosure in the period of the change include:

   a. Nature of the change?   |   |   |   |

   b. Justification for the change and a clear explanation of the newly adopted principle and why it is preferable?   |   |   |   |

   c. Effect on excess of revenues over expenses/expenditures, as appropriate? [APB 20, par. 17 (AC A06.113)]   |   |   |   |

2. Have the applicable AICPA Statements of Position and Guides listed in Appendix A to SFAS 83 (AC section A06 Exhibit 112A) been considered in justification of a change in accounting principle? [SFAS 32, par. 11 (AC A06.112); APB 20, par. 16 (AC A06.112)]   |   |   |   |

3. If appropriate, is the cumulative effect of an accounting change shown separately between the captions "extraordinary items" and "excess of revenues over (under) expenditures"? [APB 20, pars. 18-26 (AC A06.114-.122 and E09.104)]   |   |   |   |
4. Are the effects of changes in accounting estimate disclosed if they are material?  
[APB 20, pars. 31-33 (AC A06.130-.132)]

5. If a change in reporting entity has occurred, have the financial statements and disclosures been made in accordance with APB 20, pars. 34 and 35?  
[APB 20, pars. 34 and 35 (AC A35.112-.113)]

6. Is the nature of an error in previously issued financial statements and the effect of its correction on the excess of revenues over (under) expenditures before extraordinary items, and net income disclosed in the period in which the error was discovered and corrected?  
[APB 20, par. 37 (AC A35.105)]

7. For prior period adjustments:
   a. Is the resulting effects on the net income of prior periods disclosed in the financial statement for the year in which the adjustments are made?  

   b. For single period statements does the disclosure indicate the effects of such restatement on the balance of fund balance/retained earnings at the beginning of the period and on the excess of revenues over (under) expenditures of the immediately preceding period?  

   c. If financial statements for more than one period are presented does the disclosure include the effects for each of the periods included in the statements?  
[APB 9, par. 26 (AC A35.107)]

8. If the prior period adjustments pertain to years presented in a comparative operating statement as for example, historical summaries of financial data, have they been reflected therein with appropriate disclosure?  
[APB 9, par.27 (AC A35.108)]
9. For interim financial reports regarding an adjustment related to prior interim periods of the current fiscal year, was the following disclosed:

   a. The effect on excess (deficiency) from continuing operations and excess (deficiency) for each prior interim period of the current fiscal year, and

   b. excess (deficiency) from continuing operations and excess (deficiency) for each prior interim period restated.

   [SFAS 16, par. 15 (AC A35.111)]

D. Comparative Financial Statements

1. Have comparative statements been considered?
   [ARB 43, Ch. 2A, pars. 1-2 (AC F43.101-102)]

2. Are the notes and other disclosures included in the financial statements of the preceding year(s) presented, repeated or at least referred to, to the extent that they continue to be of significance?
   [ARB 43, Ch. 2A, par. 2 (AC F43.102)]

3. If changes have occurred in the manner of or basis for presenting corresponding items for two or more periods, are appropriate explanations of the changes disclosed?
   [ARB 43, Ch. 2A, par. 2 (AC F43.102)]

E. Nonmonetary Transactions

1. Do disclosures for nonmonetary transactions during the period include:

   a. Nature of the transactions?

   b. Basis of accounting for the assets transferred?
c. Gains or losses recognized on the transfers?
[APB 29, par. 28 (AC C11.102 and N35.120); FASBI 30 (AC N35.114-.119)]

2. Are nonmonetary assets recorded in the fund to which they relate at estimated fair value?
[GASB 1, Sec. 1400.113 (GASB Cod. Sec. 1400.113)]

3. If nonmonetary assets are donated to a governmental unit for use in general government activities, have they been recorded in the General Fixed Assets Account Group?
[GASB 1, Sec. 1400.113 (GASB Cod. Sec. 1400.113)]

4. If the donation of nonmonetary assets reduces the government's current or future expenditure requirements, has the governmental unit elected to report the donation in the appropriate fund as an "other financing use" and an "other financing source" of resources?
[ASLGU, Ch. 9, par. 21]

F. Contingencies and Commitments

1. Is disclosure made in governmental funds on the face of the financial statements or in the notes of the nature and amount of accrued loss contingencies necessary to keep the financial statements from being misleading showing the total claims and judgments determined for the year under FASB 5 "Accounting for Contingencies" less (plus) the amount recorded as long-term obligations in the General Long-Term Debt Account Group?
[SFAS 5, par. 9 (AC C59.108); FASBI 14, pars. 3-7 (AC C59.124-.127); GASB 1, Sec. 1500.110 (GASB Cod. Sec. 1500.110); GASB 1, Sec. C50.112 (GASB Cod. Sec. C50.112)]

2. Where a loss pertains to proprietary funds, have the criteria of FASB 5 been
followed without modification in making disclosures? Yes No N/A

[ GASB 1, Sec. C50.115 (GASB Cod. Sec. C50.115)]

3. For loss contingencies not accrued, do disclosures indicate:

   a. Nature of contingency? Yes No N/A

   b. Estimate of possible loss or range of loss, or a statement that such estimate cannot be made? Yes No N/A

   [SFAS 5, par. 10 (AC C59.109 and C59.111); GASB 1, Sec. 1500.110 (GASB Cod. Sec. 1500.110)]

4. Are guarantees of the entity, even if the possibility of default is remote, disclosed in the financial statements? Yes No N/A

   [ASLGU Ch. 11 par. 28]

5. If the entity is assuming a moral obligation, is this disclosed in the financial statements? Yes No N/A

   [ASLGU Ch. 11 par. 28]

6. With respect to no-commitment debt, is its existence disclosed in the financial statements? Yes No N/A

   [ASGLU Ch. 11 par. 28]

7. For unconditional purchase obligations not recorded on the purchaser's balance sheet, is the following disclosed:

   a. The nature and term of the obligation(s)? Yes No N/A

   b. The amount of the fixed and determinable portion of the obligation(s) as of the date of the latest balance sheet presented in the aggregate and, if determinable, for each of the five succeeding fiscal years? Yes No N/A

   c. The nature of any variable components of the obligation? Yes No N/A
d. The amounts purchased under the obligation(s) (for example, the take-or-pay or throughput contract) for each period for which a Statement of Revenue and Expenditures is presented? [SFAS 47, par. 7 (AC C32.102)]

8. Is disclosure made of conditions that raise a question about an entity's ability to continue in existence and viable plans to overcome these difficulties? [SAS 59, par. 10 (AU 340.10); ASLGU, Ch. 18 par. 18]

9. Encumbrances:
   Where appropriations lapse at year-end, even if encumbered, and the governmental unit intends to honor them, do the notes to financial statements disclose the outstanding encumbrances at year-end or is disclosure effected by reserving a portion of the fund balance? [GASB 1, Sec. 1700.129d (GASB Cod. Sec. 1700.129d)]

10. If a governmental unit is prohibited by law from budgeting or appropriating property taxes recognized as revenue pursuant to GASB 1, Sec. P70.104, was disclosure made by a reservation of fund balance, and was this explained in the notes to financial statements [GASB 1, Sec. P70.104 (GASB Cod. Sec. P70.104)]

11. Where payments have been made to an internal service self-insurance fund to pay claims and judgments of governmental funds, and the claims were based on actuarially determined liabilities, have these transfers been classified as operating transfers and not as an expenditure of the insured fund? [GASB 1, Sec. C50.117 (GASB Cod. Sec. C50.117)]

12. Have any amounts that were transferred which were in excess of the amount of
the actuarially determined amount been classified as residual equity transfers? [GASB 1, Sec. C50.117 (GASB Cod. Sec. C50.117)]

13. Are the nature and amount of guarantees disclosed (for example, guarantee of indebtedness of others, obligations of banks under standby letters of credit)? [SFAS 5, par. 12 (AC C59.113); FASB 34, pars. 2-3 (AC C59.114)]

14. Are gain contingencies adequately disclosed with care to avoid any misleading implications about likelihood of realization? [SFAS 5, par. 17 (AC C59.118)]

15. Has disclosure been made of unused letters of credit, assets pledged as security for loans, working capital commitments, and dividend restructuring? [SFAS 5, pars. 18-19 (AC C59.120)]

16. Are disclosures made of any material violations of legal and contractual provisions? [GASB 1, Sec. 2300.104h (GASB Cod. Sec. 2300.104h)]

G. Subsequent Events

1. Are the financial statements adjusted for any changes in estimates resulting from subsequent events that provided additional evidence with respect to conditions that existed at the date of the balance sheet? [SFAS 5. par. 8 (AC C59.105); SAS 1, Secs. 560.03-.04, 560.07 and 561.01-.09 (AU 560.03-.04, 560.07 and 561.01-.09)]

2. Are subsequent events that provide evidence with respect to conditions that did not exist at the date of the balance sheet but arose subsequent to that date adequately disclosed to keep the financial statements from being misleading? [SFAS 5, par. 11 (AC C59.112); APB 16, par. 61 (AC B50.120); SAS 1, Secs.
H. Related Party Transactions

1. Do lease arrangements exist between state and local governments and public authorities?
   [GASB 1, Secs. L20.123 and 2300.150f and g (GASB Cod. Secs. L20.123 and 2300.105f and g)]

2. Have the nature and extent of leasing transactions with related parties been disclosed?
   [GASB 1, Sec. L20.123 (GASB Cod. Sec. L20.123); (SFAS 13, par. 29 (AC L10.125)]

3. Are the following disclosures made of material related party transactions, other than compensation arrangements, expense allowances, and other similar items in the ordinary course of business:

   a. The nature of the relationship(s) involved?

   b. A description of the transactions, including transactions to which no amounts or nominal amounts were ascribed, for each of the periods for which a Statement of Revenue and Expenditures is presented, and such other information deemed necessary to an understanding of the effects of the transactions on the financial statements?

   c. The dollar amount of transactions for each of the periods for which Statements of Revenue and Expenditures are presented and the effects of any change in the method of establishing the terms from that used in the preceding period?
### I. Component Units

1. If a component unit has adopted accounting principles that are not in conformity with governmental accounting and reporting standards but those principles are considered to be generally accepted and where the inclusion of the component unit would distort a fund type of the reporting entity, is the component unit presented in a separate column on the financial statements of the reporting entity as a discrete presentation?  

   [GASB 1, Sec. 2600.109 (GASB Cod. Sec. 2600.109)]  

2. If the answer to I.1 is yes, do the accompanying notes to the financial statements clearly disclose the accounting policies of the component unit and the relationship of the component unit to the oversight unit?  

   [GASB 1, Sec. 2600.109 (GASB Cod. Sec. 2600.109)]

3. Do the notes to the reporting entity's financial statements disclose the component units that have been combined to form the reporting entity and the key decision criteria that were considered?  

   [GASB 1, Sec. 2600.116 (GASB Cod. Sec. 2600.116)]

4. Has financial information concerning each component unit, as well as the oversight unit, been provided in the notes to insure that the general purpose financial statements communicate the information that is necessary for fair presentation and is not readily apparent from, or cannot be included

| d. Amounts due from or to related parties as of the date of each balance sheet presented and, if not otherwise apparent, the terms and manner of settlement? |
|---|---|---|
| Yes | No | N/A |

---

[SFAS 57, pars. 2-4 (AC R36.102-104)  
SAS 45, pars. 11 (AU 334.11-12) ]
in, the statements themselves?
[GASB 1, Sec. 2600.116 (GASB Cod. Sec. 2600.116)]

5. Where separate component unit financial statements are issued, was disclosure made to clearly indicate that the component unit is an integral part of the reporting entity?
[GASB 1, Sec. 2600.119 (GASB Cod. Sec. 2600.119)]

COMBINED BALANCE SHEET

A. Titles, References and Content

1. Is a combined balance sheet presented for all fund types and account groups?
   [GASB 1, Sec. 2200.108 (GASB Cod. Sec. 2200.108)]

2. Does the combined balance sheet have separate columns for each fund type and account group?
   [GASB 1, Sec. 2200.108 (GASB Cod. Sec. 2200.108)]

3. Are the separate columns for each fund and/or account group properly captioned?
   [GASB 1, Sec. 2200.108 (GASB Cod. Sec. 2200.108)]

4. Have special assessment funds been eliminated?
   [ASLGU, Ch. 7, par. 13 (GASB Cod. Sec. S40.113)]

5. Are long-term debt and fixed assets only reported in account groups, fiduciary or proprietary fund types?
   [GASB 1, Sec. 1400.102-.106 (GASB Cod. Sec. 1400.102-.106); GASB 1, Sec. 1500.102-.103 (GASB Cod. Sec. 1500.102-.103)]

B. Cash and Investments

1. Are cash and investments segregated into individual funds?
   [ASLGU, Ch. 7, par. 7]
2. If cash and investments are restricted to comply with legal or contractual requirements, are these amounts segregated?  
    [ARB 43, Chap. 3A, par. 6 (AC B05.107);  
     ASLGU, Ch. 7, par. 7]

3. Are restrictions on cash and investments appropriately disclosed?  
    [SFAS 5, pars. 18-19 (AC C59.120)]

4. Pooled Accounts
   a. If cash and investments are maintained in pooled accounts and a particular fund overdraws its share, is the overdraft reported as an interfund payable or receivable?  
      [ASLGU, Chap. 7, par. 8]
   b. Is disclosure made of the method used to allocate income from investment or pooled cash?  
      [ASLGU, Chap. 7, par. 9]

5. Was the need to record losses due to a permanent decline in value considered?  
    [ASLGU, Chap. 7, par. 9]

6. Are material dollar amounts of held checks (checks on the bank reconciliation but not released until after the balance sheet date) reclassified as accounts payable?  
    [TPA, Vol. 1, Sec. 2110.02]

7. Cost and Market Value
   a. As of the date of each balance sheet presented, with respect to marketable securities owned, was disclosure made of the aggregate cost and market value (each segregated between current and noncurrent portfolios when a classified balance sheet is presented) with identification as to which is the carrying amount?  
      [SFAS 12, par. 12 (I89.106)]
   b. Were the following disclosed as of
the date of the latest balance sheet presented, segregated between current and noncurrent portfolios when a classified balance sheet is presented:

(1) Gross unrealized gains representing the excess of market value over cost for all marketable equity securities in the portfolio having such an excess?  

(2) Gross unrealized losses representing the excess of cost over market value for all marketable equity securities in the portfolio having such an excess?  

[SFAS 12, par. 12 (AC 189.106b)]

c. For each period for which an operating statement is presented, were the following disclosures made:

(1) Net realized gain or loss included in the determination of income?  

(2) The basis on which cost was determined in computing realized gain or loss (that is, average cost or other method used)?  

(3) The change in the valuation allowance(s) that has been included in the equity section of the balance sheet during the period and, when a classified balance sheet is presented, the amount of such change included in the determination of income?  

[SFAS 12, par. 12 (AC 189.106c)]

d. Where marketable securities are included in noncurrent assets in a classified balance sheet, is the valuation allowance shown separately?  

[SFAS 12, par. 11 (AC 189.105)]
e. Where marketable securities are included in an unclassified balance sheet for proprietary fund types, is the valuation allowance shown separately?

[SFAS 12, par. 11 (AC I89.105)]

8. For Investments Including Repurchase Agreements

a. Has disclosure been made in the notes to financial statements of the types of investments authorized by legal or contractual provisions?

[GASB 3, par. 65 (GASB Cod. Sec. I50.161)]

b. Is disclosure made of significant violations during the period of legal and/or contractual provisions for deposits and investments?

[GASB 3, par. 66 (GASB Cod. Sec. I50.162)]

c. If bank balances of deposits as of the balance sheet date are entirely insured or collateralized with securities held by the entity or by its agent in the entity's name, has this been disclosed?

[GASB 3, par. 67 (GASB Cod. Sec. I50.163)]

d. If the disclosure called for by paragraph 7c above was not made, has the following information been disclosed?

(1) Carrying amounts of total deposits, if not separately displayed on the balance sheet?

(2) The total bank balance classified in these three categories of credit risk:

(a) Insured or collateralized with securities held by the entity or by its agent in the entity's name.
(b) Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name. | Yes | No | N/A

(c) Uncollateralized. (This includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the entity's name) | | | 

[GASB 3, par. 67 (GASB Cod. Sec. I50.163)]

e. Are the carrying amount and market value of investments (including repurchase agreements) as of the balance sheet date disclosed in total and for each type of investment? | | |

f. Is the disclosure of the carrying amounts of investments broken down into the following three categories of credit risk:

(1) Insured or registered or securities held by the entity or its agent in the entity's name | | |

(2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name | | |

(3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the entity's name | | |

[GASB 3, par. 68, (GASB Cod. Sec. I50.164)]

g. If unrealized investment losses in one or more component units or funds may not be apparent because of unrealized investment gains in the remaining funds, are the carrying amounts and market value of that unit's or fund's
total investments disclosed?  
/GASB 3, par. 71 (GASB Cod. Sec. I50.167)/

h. If there are outstanding commitments as of the balance sheet date to resell securities under yield maintenance repurchase agreements, have the market value and carrying amount as of the balance sheet date as well as a description of the terms of the agreement been disclosed?  
/GASB 3, par. 72, (GASB Cod. Sec. I50.168)/

i. If uncollateralized deposits or uninsured, unregistered securities held by the counterparty, or by the trust department or agent not in the entity's name significantly exceed the amounts in those categories as of the balance sheet date, is that fact disclosed?  
/GASB 3, par. 73 (GASB Cod Sec. I50.169)/

j. Does the entity disclose the types of investments made during the period but not owned as of the balance sheet date?  
/GASB 3, par. 74 (GASB Cod. Sec. I50.170)/

k. Does the entity disclose losses recognized during the period resulting from default by counterparties to deposit or investment transactions and amounts recovered from prior-period losses if these are not shown separately on the operating statements?  
/GASB 3, par. 75 (GASB Cod. Sec. I50.171)/

l. In connection with reverse repurchase agreements indicate if the following is disclosed:
(1) For reverse repurchase agreements, other than yield maintenance agreements, which are outstanding as of the balance sheet date, has the credit risk related to the agreements been disclosed?  
[GASB 3, par. 78 (GASB Cod. Sec. R10.110)]

(2) Was disclosure made for commitments as of the balance sheet date to repurchase securities under yield maintenance agreements including the market value as of the balance sheet date of the securities to be repurchased and a description of the terms of the agreements?  
[GASB 3, par. 79 (GASB Cod. Sec. R10.111)]

(3) Is disclosure made for losses recognized during the period due to default by counterparties to reverse repurchase agreements and amounts recovered from prior-period losses if not shown separately on the operating statement?  
[GASB 3, par. 80 (GASB Cod. Sec. R10.112)]

C. Notes and Accounts Receivable

1. Are notes or accounts receivable due from affiliated enterprises disclosed separately?  
[ARB 43, Ch. 1A, par. 5 (AC R36.105)]

2. If a note is noninterest bearing or has an inappropriate stated interest rate:

   a. Is the discount or premium presented as a deduction from or addition to the face amount of the note?  
   [APB 21, par. 16 (AC 169.109)]

   b. Does the disclosure include the effective interest rate and face amount of the note?  
   [APB 21, par. 16 (AC 169.109)]
c. Is amortization of discount or premium reported as interest expense in the operating statement?  
[APB 21, par. 16 (AC 169.109)]

Yes  No  N/A

3. Have related receivables and payables between what were previously separately reported governmental units, which are now included as component units of a reporting entity, been reclassified as amounts due to and due from other funds?  
[GASB 1, Sec. 2600.112 (GASB Cod. Sec. 2600.112)]

Yes  No  N/A

4. If transactions between component units having different fiscal years result in inconsistencies in amounts reported as due to/due from, transfer to/transfer from etc., is the nature and amounts of such transactions disclosed in the notes to the financial statements?  
[GASB 1, Sec. 2600.114 (GASB Cod. Sec. 2600.114)]

Yes  No  N/A

5. Are the amounts due to one fund from other funds, as well as the amounts owed to other funds, reflected in the fund accounts and in fund financial statements? Or, are amounts being offset?  
[GASB 1, Sec. 1300.110 (GASB Cod. Sec. 1300.110)]

Yes  No  N/A

6. Do the financial statements disclose the amount of interfund receivables and payables by fund?  
[ASLGU, Ch. 8, par. 21]

Yes  No  N/A

7. Are property tax assessments recognized in the period levied provided the "available" criteria are met (then due, past due and receivable within the current period and collected within the current period or within 60 days thereafter)?  
[GASB 1, Sec. P70. 103 (GASB Cod. Sec. P70.103)]

Yes  No  N/A
8. Are property taxes receivable expected to be collected within 60 days following the current period? [GASB 1, Sec. P70.103 (GASB Cod. Sec. P70.103); ASLGU, Ch. 8, par. 11]

9. Where the facts justify a period exceeding 60 days, has the governmental unit disclosed the period used and the justification for the recording practice used? [GASB 1, Sec. P70.103 (GASB Cod. Sec. P70.103); ASLGU, Ch. 8, par. 11]

10. Are allowances for uncollectible receivables shown as deductions from the related receivables? [APB 12, par. 3 (AC V18.102)]

D. Inventories

1. Have significant amounts of inventory been reported on the balance sheet? [GASB 1, Sec. 1600.122 (GASB Cod. Sec. 1600.122)]

2. Has the basis for stating inventories been disclosed, including the method of determining cost? [ARB 43, Ch. 3A, par. 9 and Ch. 4, par. 15; (AC 178.120)]

3. If substantial and unusual losses result from write-down to market values, have these been disclosed separately from other expenditures/expenses, e.g., cost of goods sold in the operating statement? [ARB 43, Ch. 4, par. 14 (AC I78.117)]

E. Fixed Assets

1. Are general fixed assets, other than those accounted for in the proprietary funds, trust or agency funds, accounted for in the General Fixed Asset Account Group rather than in the governmental funds? [GASB 1, Sec. 1400.106 (GASB Cod. Sec. 1400.106)]
2. In connection with assets capitalized in the General Fixed Asset Account Group, were the following disclosures generally incorporated in the financial statements or the notes:

a. Details of general fixed assets, such as land, buildings, and equipment?  
___  ___  ___

b. The basis for carrying assets in the General Fixed Asset Account Group, for example, cost or estimated cost?  
___  ___  ___

c. Whether infrastructure assets are included or excluded from the General Fixed Assets Account Group?  
___  ___  ___

d. Whether depreciation is recorded in the General Fixed Assets Account Group and, if so, the depreciable lives and methods of computation?  
___  ___  ___

e. A reconciliation of changes in the General Fixed Assets Account Group during the year?  
___  ___  ___

f. Capitalization of interest during construction? (FASB Statement Nos. 34 and 62)  
___  ___  ___

g. Commitments under long-term construction projects?  
___  ___  ___

h. The status of capital grants?  
___  ___  ___

i. Pertinent data regarding capital and operating leases? [ASLGU, Ch. 9, par. 22]  
___  ___  ___

3. Regarding fixed assets, other than those pertaining to the proprietary funds or trust funds, have the following disclosures been made:

a. A breakdown of fixed assets by major classes? [APB 12, par. 5 (AC D40.105b)]  
___  ___  ___
### Questionnaire on Depreciation Methodology

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<th>Yes</th>
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<td>b. Changes in fixed assets by the various classes?</td>
<td>[GASB 1, Sec. 2200.106b(4)(a)] (GASB Cod. Sec. 2200.106b(4)(a))</td>
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<td>c. The basis of donated fixed assets, which should be estimated fair market value at date of acquisition?</td>
<td>[GASB 1, Sec. 1400.113 (GASB Cod. Sec. 1400.113)]</td>
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<td>d. If recording accumulated depreciation in the General Fixed Assets Account Group was elected, was the accumulated depreciation account(s) increased and investment in general fixed assets account(s) decreased?</td>
<td>[GASB 1, Sec. 1400.118 (GASB Cod. Sec. 1400.118)]</td>
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<td>e. A general description of the method or methods used in computing depreciation in the GFAAG with respect to major classes of depreciable assets?</td>
<td>[APB 12, par. 5 (AC D40.105d)]</td>
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4. Regarding proprietary funds, has depreciation expense been disclosed for the period?  
   [APB 12, par. 5a (AC D40.105); GASB 1, Sec. 1400.115 (GASB Cod. Sec. 1400.115)]

5. If interest has been incurred during the construction period of certain assets:

   a. Has the accounting policy for capitalization of interest cost been disclosed?  
      [GASB 1, Sec. 1400.111 (GASB Cod. Sec. 1400.111)]

   b. Has this policy been consistently applied?  
      [GASB 1, Sec. 1400.111 (GASB Cod. Sec. 1400.111)]
6. Reporting public domain or infrastructure "fixed assets—roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems, and similar assets that are immovable and of value only to the governmental unit—is optional." Has the accounting policy regarding those assets been consistently applied?

[GASB 1, Sec. 1400.109 (GASB Cod. Sec. 1400.109)]

7. Has the accounting policy for infrastructure fixed assets been disclosed in the notes to financial statements?

[GASB 1, Secs. 1400.109 and 2300(a)(4) (GASB Cod. Secs. 1400.109 and 2300.104(a)(4)]

F. Lessors

1. For sales-type and direct financing leases do disclosures include:

a. Appropriate components of the net investment in the leases as of the date of each balance sheet presented?

b. Future minimum lease payments to be received for each of the five succeeding fiscal years as of the date of the latest balance sheet presented?

c. Total contingent rentals included in operations for each period for which a Statement of Revenues and Expenditures is presented?

[SFAS 13, par. 23a (AC L10.119a)]

d. For direct financing leases, the amount of initial direct costs as part of the investment?

[SFAS 91, par. 25d (AC L10.119a.1)]

2. For operating leases do disclosures include:

a. Cost and carrying amount of property on lease or held for leasing
by major classes and the amount of accumulated depreciation as of the date of the latest balance sheet presented?

b. Minimum future rentals on noncancelable leases as of the date of the latest balance sheet presented in the aggregate and for each of the five succeeding fiscal years?

c. Total contingent rentals included in operations for each period for which a Statement of Revenues and Expenditures is presented? [SFAS 13, par. 23b (AC L10.119b)]

3. Do disclosures include a general description of the lessors leasing arrangements? [SFAS 13, par. 23c (AC L10.119c); for amendments of SFAS 13 see SFASs 22, 23, 27, 28, 29 and 98; for interpretations see FASBIs 19, 21, 23, 24, 26 and 27; for Technical Bulletins see TBs 79-10, 79-12, 79-13, 79-14, 79-15, 79-16, 79-17 and 79-18]

4. Are leveraged leases appropriately accounted for and reported? [SFAS 13, pars 41-47 (AC L10.143-.149)]

G. Other Assets and Deferred Charges

1. Are the costs of intangible assets acquired from other entities recorded as assets? [APB 17, pars. 24-26 (AC I60.105-.107)]

2. Are the costs of developing, maintaining or restoring intangible assets which are not specifically identifiable, have indeterminate lives, or are inherent in a continuing business and related to the entity as a whole, expensed when incurred? [APB 17, par. 24 (AC I60.105)]

3. Regarding proprietary funds, are issue costs of debt reported as deferred charges? [APB 21, par. 16 (AC I69.109)]
4. Regarding funds other than proprietary funds, are issue costs of debt charged to operations immediately?  
   [GASB 1, Sec. 1600.117 (GASB Cod. Sec. 1600.117)]

5. For proprietary funds, is the method and period of amortization for intangible assets disclosed?  
   [APB 17, pars. 30 and 33 (AC I60.111) and APB 22, par. 13, (AC A10.106)]

6. Are the reasons for not amortizing pre-November 1, 1970 intangibles and the amounts thereof disclosed?  
   [APB 17, par. 34 I60.102b)]

7. Has the cash surrender value of life insurance been disclosed?  
   [ARB 43, Ch. 3a, par. 6 (AC B05.107); TB 85-4]

H. Liabilities

1. Do financial statements disclose the nature of any restrictions on assets related to debt?  
   [ASLGU Ch. 11, par. 27]

2. Were the following disclosures made related to debt:
   - The nature of outstanding debt, including significant bond covenants?  
   - Debt service requirements to maturity?  
   - Details of capital leases?  
   - Amounts of authorized but unissued debt?  
   - Violations of significant bond covenants?  
   - Nature and amount of guarantees, contingent and moral obligations, and no-commitment debt?
o Changes in the amount of long-term obligations?  
   Yes  No  N/A

o The amount of unpaid debt that has been defeased?  
   Yes  No  N/A

o Debt incurred subsequent to the balance sheet date but before the financial statements are issued?  
   Yes  No  N/A

o An existing or anticipated inability to pay debt when due?  
   Yes  No  N/A

[ASLGU Ch. 11, par. 27]

3. Do governmental fund balance sheets reflect only the current portion of the liabilities left unpaid at the end of the reporting period that normally would be liquidated with expendable available financial resources?  
   Yes  No  N/A

[GASB 1, Sec. C50.113 (GASB Cod. Sec. C50.113)]

4. Are only current liabilities, commonly referred to as fund or short-term liabilities, reported on the governmental fund balance sheets?  
   Yes  No  N/A

[ASLGU, Ch. 10, par. 17]

5. Do the financial statements disclose the following:
   a. Basis of accounting for expenditures and liabilities, for example, modified accrual accounting?  
      Yes  No  N/A
   b. Method of accounting for outstanding encumbrances at year-end?  
      Yes  No  N/A
   c. Disclosure of contingent liabilities?  
      Yes  No  N/A

[ASLGU, Ch. 10, par. 18 and Ch. 17, par. 13, and GASB 1 Sec. 2300.104 (GASB Cod. Sec. 2300.104)]

6. Have significant categories been classified and segregated, e.g., accounts payable; accrued costs; notes; customer deposits; interest payable; amounts due to other funds or governments; officers
or employees; special termination
benefits?

[GASB 1, Sec. 1800.114-.120 (GASB Cod.
Sec. 1800.114-.120)]

7. Have amounts payable from restricted
assets been separately disclosed and
properly classified, e.g.,:
   Construction contracts?
   Revenue Bonds?
   Fiscal Agent?
   Deposits?
   Accrued interest?

[GASB Cod. Sec. 2200.603]

8. For convertible debt, if applicable,
are conversion features appropriately
accounted for and disclosed?

[APB 14, pars. 12 & 16-18 (AC D10.103
and D10.105-.107)]

9. Do current liabilities exclude short-
term obligations that the entity in-
tends to refinance on a long-term basis
provided the entity has demonstrated
the ability to consummate the long-
term financing?

[SFAS 6, pars. 8-14 (AC B05.112-.116);
FASBI 8 (AC B05.117 and B05.138-.139)]

10. If a short-term obligation is to be
excluded from current liabilities per
SFAS 6, do disclosures include:
   a. General description of the financing
      agreement?

   b. Terms of any new obligation incur-
      red or expected to be incurred, as
      a result of the refinancing?
      [SFAS 6, par. 15 (AC B05.118);
      FASBI 8, par. 3 (AC B05.117); TB
      79-3 (AC B05.501-.503)]

11. For governmental funds, if all legal
steps have been taken to refinance bond
anticipation notes and the intent is
supported by an ability to consummate
refinancing the short-term note on a long-term basis in accordance with FASB 6, are they shown as part of the GLTDAG? [GASB 1, Sec. B50.101 (GASB Cod. Sec. B50.101)]

12. Are demand bonds reported as general long-term debt or excluded from current liabilities of proprietary funds if the following conditions are met:

a. Before the financial statements are issued, the issuer has entered into an arm's-length financing (take out) agreement to convert bonds "put" but not resold into some other form of long-term obligation? [GASB I, par. 10 (GASB Cod. Sec. D30.108)]

b. The take out agreement does not expire within one year from the date of the issuer's balance sheet?

c. The take out agreement is not cancelable by the lender or the prospective lender during that year, and obligations incurred under the take out agreement are not callable by the lender during that year?

d. The lender or the prospective lender or investor is expected to be financially capable of honoring the take out agreement?

13. If the conditions in 12 above are not met, are they reported as fund liabilities or, for proprietary funds, as current liabilities?

14. In addition to debt disclosures required by GASB Cod. Sec. 2300, are the following disclosures made for demand bonds outstanding:

a. A general description of the demand bond program?
b. Terms of any letters of credit or other standby liquidity agreements outstanding, commitment fees to obtain the letters of credit, and any amounts drawn on them outstanding as of the balance sheet date?

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c. A description of the take out agreement including its expiration date, commitment fees to obtain the agreement, and the terms of any new obligations under the take out agreement?

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d. The debt service requirements that would result if the take out agreement were to be exercised?

[GASBI 1, par. 11 (GASB Cod. Sec. D30.109)]

15. If a take out agreement has been exercised converting the bonds to an installment loan, is the installment loan reported as general long-term debt and the payment schedule under the installment loan included as part of the schedule of debt service requirements to maturity, as required by Section 2300, paragraph 104i?

[GASBI 1, par. 12 (GASB Cod. Sec. D30.110)]

16. If the conditions of paragraph .12 are not met at the time a demand bond is issued (or prior to issuance of the financial statements for that year), is the liability for demand bonds reported as a liability of the fund used to account for the proceeds of the bond issue?

[GASBI 1, par. 13 (GASB Cod. Sec. D30.111)]

17. If, because a take out agreement expires, it is necessary to report a fund liability for demand bonds previously reported as general long-term debt, is the liability recorded as a
liability of the fund in which the proceeds of the issue were initially recorded with a corresponding debit to "other financing uses."

[GASBI 1, par. 13 (GASB Cod. Sec.D30.111)]

18. If the answer to numbers 16 or 17 above is yes, are debt redemptions reported as expenditures of the fund from which debt service is normally paid and the liability (represented by the demand bonds) reduced simultaneously by a credit to "other financing sources."

[GASBI 1, par. 13 (D30.111)]

19. For periods after a troubled debt restructuring, do disclosures include:

a. Extent to which amounts contingently payable are included in the carrying amount of restructured payables?

b. Total amounts contingently payable, if applicable, and conditions under which those amounts would become payable or forgiven?

[SFAS 15, par. 26 (AC D22.122)]

20. Where the reporting entity is a creditor, have the disclosures regarding troubled debt restructurings been made in accordance with paragraph No. 27 of FASB 15?

[SFAS 15, par. 27 (AC D22.123)]

21. Has debt, as required, been considered extinguished for financial reporting purposes because

a. The debtor pays the creditor and is relieved of all its obligations with respect to the debt. This includes the debtor's reacquisition of its outstanding debt securities in the public securities market, regardless of whether the securities are cancelled or held as so-called treasury bonds.
b. The debtor is legally released from being the primary obligor and it is probable that the debtor will not be required to make future payments with respect to that debt under any guarantee?

— — —

[SFAS 76, par. 3 (AC D14.102A); GASB 7, par. 3 (GASB Cod. Sec. D20.103)]

22. If debt is considered to be extinguished [in an in-substance defeasance] under the provision of .102A(c) of SFAS 76, paragraph 6, has a general description of the transaction and the amount of debt that is considered extinguished at the end of the period been disclosed so long as that debt remains outstanding?

— — —

[SFAS 76, par. 6 (AC D14.108); GASB 7, pars 1, 3 and 7 (GASB Cod. Sec. D20.101 and .102)]

23. For proprietary and similar fund types, if there is an extinguishment of debt, is the difference between reacquisition price and carrying amount recognized currently in income and identified as a separate item?

— — —

[D20.107 (GASB Cod. Sec. D20.107) APB 26, par. 20-21, FASB 4, par. 1 (AC D14.103-.104)]

24. If the difference is material is it disclosed as an extraordinary item?

— — —

[SFAS 4 , par. 8 (AC D14.107); GASB 1, Sec. D20.105-107 (GASB Cod. Sec. D20.105-107)]

25. In an advance refunding resulting in a defeasance of debt, for governmental
fund types, are the proceeds of the new debt reported as an "other financing source-proceeds of refunding bonds" in the fund receiving the proceeds? Are payments to the escrow agent from resources provided by the new debt reported as an "other financing use-payment to refunded bond escrow agent"?

[GASB 7, par. 8 (GASB Cod. Sec. D20.108)]

26. Regardless of where the debt is reported, for a defeasance of debt through an advance refunding, was a general description provided of the transaction in the notes to the financial statements in the year of the refunding?

[GASB 7, par. 11 (GASB Cod. Sec. D20.111)]

27. At a minimum did the disclosures include:

a. The difference between the cash flows required to service the new debt and complete the refunding, and

b. The economic gain or loss resulting from the transaction?

[GASB 7, par. 11 (GASB Cod. Sec. D20.111)]

28. Were disclosures made by fund type and account group?

[GASB 7, par. 13 (GASB Cod. Sec. D20.113)]

29. In all periods following an advance refunding for which debt defeased in substance remains outstanding, is the amount outstanding at period-end disclosed?

[GASB 7, par. 14 (GASB Cod. Sec. D20.114)]

30. Are long-term obligations that are or will be callable by the creditor because the debtor's violation of the debt agreement at the balance sheet date makes the obligation callable or because the violation, if not cured within a specified grace period, will make the obligation
callable, classified as current unless one of the following conditions is met:

a. The creditor waived or subsequently lost the right to demand repayment for more than one year (or operating cycle, if longer) from the balance sheet date?

b. The obligation contains a grace period within which the debtor may cure the violation, is it probable that the violation will be cured within that period, thus preventing the violation from becoming callable?

[SFAS 78, par. 5 (AC B05.109A and B05.118)]

31. Has disclosure been made of defaults in provisions of security, indenture or credit agreements?

[SFAS 78, par. 5 (AC B05.109A)]

32. If a waiver has been obtained for a stated period of time, has disclosure been made of the period?

[SFAS 78, par. 5 (AC B05.109A)]

33. Are guarantees and other commitments included in liabilities?

[ASLGU Ch. 11, pars. 9-12]

34. Does a note describe the accounting policies for recording such liabilities?

[ASLGU Ch. 11, par. 28]

35. Have bonds, notes and other long-term liabilities (for example, for capital leases, pensions, judgments, compensated absences, special termination benefits, and similar commitments) directly related to and expected to be paid from proprietary funds, special assessment funds, and [certain] trust funds?

[Yes] [No] [N/A]
funds been included in the accounts of such funds?
[GASB 1, Sec. 1500.102 as amended by GASB 6, par. 13 (GASB Cod. Sec. 1500.102)]

36. Has one amount been disclosed on the balance sheet as the total liabilities for each fund type?
[GASB 1, Sec. 2200.110 (GASB Cod. Sec. 2200.110)]

I. Lessees

1. For capital leases do disclosures include:

   a. Gross amounts of assets and the accumulated amortization recorded by major classes as of the date of each balance sheet presented?

   b. The lease obligations classified as current and long term?
   [SFAS 13, par. 16a (AC L10.112a(1)-(4)); GASB 1, Sec. L20.124 (GASB Cod. Sec. L20.124); ASLGU, Ch. 9, par. 22]

   c. Future minimum lease payments as of the latest balance sheet presented in the aggregate and for each of the five succeeding fiscal years with appropriate separate deductions therefrom for executory costs and imputed interest to reduce net minimum lease payments to present value?
   [SFAS 13, pars. 10 & 16a (AC L10.106 and L10.112a (1)-(4))]

   d. Total of future minimum sublease rentals under noncancelable subleases as of the date of the latest balance sheet presented?
   [SFAS 13, par. 16a (AC L10.112a (1)-(4))]

   e. Total contingent rentals actually incurred for each period for which a Statement of Revenue and Expenditures is presented?
   [SFAS 13, par. 16a (AC L10.112a (1)-(4)) as amended 10/1/79 by SFAS 29, par. 12]
2. For operating leases that have initial or remaining noncancelable lease terms in excess of one year, do disclosures include:

a. Future minimum rental payments required as of the latest balance sheet presented in the aggregate and for each of the five succeeding fiscal years? [SFAS 13, par. 16b (AC L10.112b)]

b. Total of future minimum rentals under noncancelable subleases as of the date of the latest balance sheet presented? [SFAS 13, par. 16c (AC L10.112c)]

c. Have the nature and extent of leasing transactions with related parties been disclosed?

3. For all operating leases do disclosures include: rental expense for each period for which an operating statement is presented with separate amounts for minimum rentals, contingent rentals, and sublease rentals? [SFAS 13, par. 16c (AC L10.112c)]

4. Do disclosures include a general description of the lessee's leasing arrangements including but not limited to:

a. Basis for determination of contingent rentals? [SFAS 13, par. 16d (AC L10.112d); for amendments of SFAS 13 see SFASs 17, 22, 23, 27, 28, 29, 91 and 98; for interpretations see FASBIs 19, 21, 23, 24, 26 and 27; for technical bulletins see TBs 79-10, 79-12, 79-13, 79-14, 79-15, 79-16, 79-17, and 79-18]

b. Terms of any renewal or purchase options or escalation clauses?

c. Restrictive covenants?
J. Other Liabilities and Deferred Credits

1. Are estimated losses from loss contingencies accrued if both "probable" and the amount can be reasonably estimated as explained in SFAS 5?
   [SFAS 5, par. 8 (AC C59.105); FASBI 14 (AC C59.106-.107 and C59.124-.127); ASLGUI, Ch. 4, par. 16, Ch. 10, par. 10, Ch. 17, par. 13; GASB 1, Sec. C50.110 (GASB Cod. Sec. C50.110)]

2. Are liabilities appropriately accrued and reported for employees' compensation for future absences?
   [SFAS 43, pars. 6-7 (AC C44.104 and C44.108); GASB 1, Sec. C50.112 (GASB Cod. Sec. C50.112)]
   a. Has the amount of the liability for compensated absences which will be liquidated with expendable available financial resources been recorded as current liabilities?
      [GASB 1, Sec. C50.113 (GASB Cod. Sec. C50.113)]
   b. Has the remainder of the liability in 2 above been recorded in GLTDAG?
      [GASB 1, Sec. C50.113 (GASB Cod. Sec. C50.113)]
   c. If the governmental unit has not accrued compensated absences because the amount cannot be reasonably estimated, has this been disclosed in the notes?
      [SFAS 43, pars. 6-7 (AC C44.104)]

3. Are liabilities for special termination benefits to employees appropriately accrued and reported when the employees accept the offer and the amount can be reasonably estimated?
   [SFAS 74, par. 2 (AC C45.102), GASB 1, Sec. C60.103 (GASB Cod. Sec. C60.103); GASB 1, Sec. T25.102 (GASB Cod. Sec. T25.102)]
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<td>4. Are the public employee retirement systems (PERS) considered to be part of the reporting entity?</td>
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<td>[GASB 1, Sec. Pe5.120 (GASB Cod. Sec. Pe5.120)]</td>
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<td>5. If the PERS is considered to be part of the reporting entity, have the PERS financial statements been incorporated into the annual financial statements of the state or local governmental entity?</td>
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<td>[GASB 1, Sec. Pe5.120 (GASB Cod. Sec. Pe5.120)]</td>
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<td>6. Is the employer reporting for the PERS in conformity with the specific requirements for multi-employers plans?</td>
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<td>[GASB 4, par. 8 (GASB Cod. Sec. P20.103)]</td>
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<td>7. If the PERS is not a multi-employer plan, is the disclosure in conformity with NCGA Statement 1, 6 or FASB Statement No. 35?</td>
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<td>[GASB 4, pars. 8 and 9, (GASB Cod. Sec. P20.103 and P20.104), GASB 5, par. 49 and GASB 1 (GASB Cod. Sec. Pe5.120 and Pe5.121)]</td>
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<td>8. Has disclosure been made to indicate whether state and/or local governmental employees, including proprietary and similar trust funds, have not changed their accounting and reporting of pension activities as a result of FASB Statement No. 87?</td>
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<td>[GASB 4, par. 10 and GASB 5, par. 4 (GASB Cod. Sec. P20.106)]</td>
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<td>9. If a change in method occurred, is the new actuarial method in conformity with APB Opinion No. 8, NCGA Statement 1 or NCGA Statement 6, and is it considered preferable for purposes of making an accounting change in accordance with APB Opinion No. 20, Accounting Changes?</td>
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<td>[GASB 4, par. 10, footnote 1 (GASB Cod. Sec. P20.106)]</td>
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10. Indicate whether the employer has changed from one actuarial cost method to another during the period or fiscal period involved?

Yes No N/A

K. General Long-Term Debt

1. Are long-term liabilities of proprietary funds and trust funds accounted for through those funds?

2. Are other unmatured general long-term liabilities of the governmental unit accounted for through the General Long-Term Debt Account Group (GLTDAG)?

3. Have the individual components of long-term debt been classified appropriately as term bonds, serial bonds, and other general long-term liabilities?

4. For advance refundings resulting in defeasance of debt, was the GLTDAG adjusted for the increase or decrease in the amount of long-term debt?

L. Fund Balance

1. Is there a disclosure made of any deficit fund balance or deficit retained earnings of individual funds?

Yes No N/A
2. Has the designation "fund balance" only been used in appropriate fund types, i.e., General, Special Revenue, Debt Service, Capital Projects, and Trust Fund types?  
   [GASB 1, Sec. 2200.110 (GASB Cod. Sec. 2200.110)]

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3. Have the fund balances (equity) of governmental funds been classified as either reserved or unreserved?  
   [ASLGU Ch. 12, par. 1]

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4. Have all changes in fund balances (equity) been disclosed?  
   [APB 12, par. 10 (AC C08.102); ASLGU Ch. 12, par. 11]

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5. Have any differences between opening fund balances and those previously reported been disclosed?  
   [APB 9, par. 26 (AC A35.107); GASB 1, Sec. 2200.117 (GASB Cod. Sec. 2200.117)]

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6. Is the retained earnings reserve only shown in proprietary funds, such as Enterprise and Internal Service Funds?  
   [GASB 1, Sec. 2200.116 (GASB Cod. Sec. 2200.116)]

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7. Are contributed equity and retained earnings separately disclosed in proprietary fund types?  
   [GASB 1, Sec. 2200.603 (GASB Cod. Sec. 2200.603)]

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8. Where certain proprietary assets net of related proprietary liabilities are restricted in the balance sheet, is there disclosure of a corresponding reserve in retained earnings?  
   [GASB 1, Sec. 2200.603 (GASB Cod. Sec. 2200.603)]

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A. General

1. Is a combined statement titled "Combined Statement of Revenues, Expenditures and Changes in Fund Balances--All Governmental Fund Types" being presented?
   [GASB 1, Sec. 1900.112-114 (GASB Cod. Sec. 1900.112-.114) and GASB 1, Sec. 2200.110 (GASB Cod. Sec. 2200.110)]

2. Is the primary classification of governmental fund revenues disclosed by fund and source?
   [GASB 1, Sec. 1800.114 (GASB Cod. Sec. 1800.114)]

3. Does the summary of significant accounting policies indicate that the modified accrual basis is used for recording all material revenues for governmental and similar expendable trust and agency funds?
   [GASB 1, Sec. 1600.108 (GASB Cod. Sec. 1600.108)]

4. Indicate whether the basis of accounting used for recording revenues is determined by the fund type in which the grant, entitlement or shared revenue transactions are recorded?
   [GASB 1, Sec. G60.103 (GASB Cod. Sec. G60.103)]

5. Are the major sources of revenues separately disclosed, such as grants, entitlements and shared revenues, taxes, licenses and permits, intergovernmental revenues, charges for services, fines and forfeits and miscellaneous?
   [GASB 1, Sec. 2200.110 (GASB Cod. Sec. 2200.110)]

6. Has a separate column been used for each governmental fund type and
similar trust fund used which shows the combined data for all such funds? [GASB 1, Sec. 2200.110 (GASB Cod. Sec. 2200.110)]

Yes No N/A

7. If the combined statement contains a total column that aggregates the columnar statements by fund types and account groups, is it captioned "Memorandum Only" because the total column is not comparable to a consolidation? [ASLGU Ch. 18, par. 9]

Yes No N/A

8. Are interfund transfers and proceeds of long-term debt, including capital leases, classified separately from fund revenues and expenditures? [GASB 1, Sec. 1800.101, (GASB Cod. Sec. 1800.101) GASB 1, Sec. 1800.106-110 as amended by GASB 6 (GASB Cod. Sec. 1800.106-.110)]

Yes No N/A

9. Are any grants, entitlements and shared revenues, which may be used in more than one fund at the discretion of the recipient, accounted for in an agency fund pending final determination? [GASB 1, Sec. G60.107 (GASB Cod. Sec. G60.107)]

Yes No N/A

10. Have those assets being held in agency funds pending a determination of the fund(s) to be financed been disclosed in the notes to financial statements? [GASB 1, Sec. G60.107 (GASB Cod. Sec. G60.107)]

Yes No N/A

B. Property Taxes

1. Do the financial statements or the notes disclose that property taxes have been recorded on the modified accrual basis? [GASB 1 Secs. P70.102-103, (GASB Cod. Sec. P70.102-.103)]

Yes No N/A

2. If the governmental entity desires to exclude some property tax revenues from appropriation to protect cash

Yes No N/A
liquidity, has this restricted revenue been disclosed by a designation of fund balance and an appropriate footnote? [GASB 1, Sec. P70.105 (GASB Cod. Sec. P70.105)]

3. Have the following details of the governmental unit's property tax calendar been disclosed:
   
   a. Lien dates? ___________________________  
   b. Levy dates? ___________________________  
   c. Due dates? ___________________________  
   d. Collection dates? _________________________  
   [GASB 1, Sec. P70.109 (GASB Cod. Sec. P70.109)]

4. If a governmental unit is prohibited by law from budgeting or appropriating property taxes recognized as revenue pursuant to Section P70, GASB Cod., has such prohibition been disclosed by a reservation of fund balance and explained in the notes to financial statements? [GASB 1, Sec. P70.104 (GASB Cod. Sec. P70.104)]

C. Sales Taxes

1. For the entity being audited are sales tax revenues both measurable and available, i.e., collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period? [GASB 1, Sec. S10.101 (GASB Cod. Sec. S10.101)]

2. If taxpayer liability has been established and collectibility is assured or losses can reasonably be estimated, have sales tax revenues been recorded on the modified accrual basis? [GASB 1, Sec. 1600.107 and footnote 1 (GASB Cod. Sec. 1600.107 and footnote 1)]
3. If taxpayer liability and collectibility for sales taxes has clearly been established, as when tax returns have been filed, but collection, while assured, is delayed beyond the normal time of receipt, have these revenues been recognized as cash is received rather than recorded on the modified accrual basis? [GASB 1, Sec. S10.102 (GASB Cod. Sec. S10.102)]

4. Have sales taxes collected by merchants which are not yet required to be remitted to the taxing authority at the end of the fiscal year not been accrued? [GASB 1, Sec. S10.103 (GASB Cod. Sec. S10.103)]

5. Where sales taxes have been collected and held by one government agency for another at year-end, have these taxes been accrued if they are remitted in time to be used as a resource for payment of obligations incurred during the preceding fiscal year? [GASB 1, Sec. S10.103 (GASB Cod. Sec. S10.103)]

6. Early or Delayed Receipts Have material sales tax revenues, otherwise not recorded until they are received, been accrued if receipt is delayed beyond the normal time of receipt? [GASB 1, Sec. S10.104 (GASB Cod. Sec. S10.104)]

7. Have material sales tax revenues received prior to normal time of receipt recorded as deferred revenue? [GASB 1, Sec. S10.104 (GASB Cod. Sec. S10.104)]

D. Income Taxes

1. Have taxpayer assessed income and gross receipts taxes been recognized as cash is received even though the tax returns have been filed but collection, while assured, is delayed
beyond the normal time of receipt?  
Yes No N/A

2. Have known refunds of income and gross receipts taxes been recorded as a liability and a reduction of revenue as of the time the refund claims are filed with the taxing authority?  
Yes No N/A

E. Grants, Entitlements or Shared Revenues

1. Basis of Accounting. For governmental funds have grants, entitlements, or shared revenues been recognized as revenue in the accounting period when they become susceptible to accrual, i.e., both measurable and available (modified accrual basis)?  
Yes No N/A

2. Has the basis of recording grants, entitlements or shared revenues been disclosed in the notes to financial statements?  
Yes No N/A

3. Where such resources are restricted (more in form than in substance) as for example entitlements or shared revenues, has there been any failure on the part of the recipient to comply with prescribed regulations which would cause a forfeiture of the resources and has this been disclosed in the notes to financial statements?  
Yes No N/A

4. Have entitlements or shared revenues been recorded as revenue at the time of receipt or earlier if the susceptible to accrual criteria are met?  
Yes No N/A
5. Has grant revenue been recognized when the respective expenditures were made? [GASB 1, Sec. G60.109 (GASB Cod. Sec. G60.109)]

6. Have grant and entitlement receipts and outlays been classified as revenues and expenditures respectively? [GASB 1, Sec. G60.115 (GASB Cod. Sec. G60.115)]

7. Has the method selected for recognizing profits under contracts been disclosed? [ARB 45, par. 15 (AC Co4.112); APB 22, par. 13 (AC A10.106); SOP 81-1, par. 21]

8. If the percentage of completion method of accounting is being used by the entity, has disclosure been made of the method(s) of measuring extent of progress toward completion? [SOP 81-1, pars. 21, 25 and 45]

9. Have claims in excess of the agreed contract price been disclosed? [SOP 81-1, pars. 65-67]

F. Expenditures

1. Are expenditures classified by function or program? [GASB 1, Sec. 1800.115 (GASB Cod. Sec. 1800.115)]

2. Are these expenditures further classified by character, e.g., current capital outlays, and debt service? [GASB 1, Sec. 1800.118 [GASB Cod. Sec. 1800.118]]

3. Has disclosure been made for the method utilized for the following:

   a. Have inventory items (materials and supplies) been considered expenditures either when purchased (purchase method) or when used (consumption method)? (Significant amounts of inventory should
be reported in the balance sheet.)
[GASB 1, Sec. 1600.122a (GASB Cod.
Sec. 1600.122a)]

b. Expenditures for insurance and
similar services which extend over
more than one accounting period
need not be allocated between or
among accounting periods, but may
be accounted for as expenditures
of the period of acquisition. Has
the method followed been disclosed?
[GASB 1, Sec. 1600.122b (GASB Cod.
Sec. 1600.122b)]

c. If interest expenditures on special
assessment indebtedness approximately
offsets interest earned on special
assessment levies, have both been re­
corded when due rather than when
earned.
[GASB 1, Sec. S40.115 (GASB Cod. Se c.
S40.115)]

d. If debt service fund resources have
been provided during the current
year for payment of principal and
interest due early in the following
year, have the expenditure and re­
lated liability been recognized in
the debt service fund and has the
debt principal amount been removed
from the General Long-Term Debt
Account Group or has disclosure of
subsequent year debt service re­
duirements been made and has the
expenditure been accounted for in
the year of payment?
[GASB 1, Sec. 1600.121 (GASB Cod.
Sec. 1600.121)]

G. Related Party Transactions

If applicable, have related party transac­
tions been disclosed separately both as to
revenue and related operating costs and
expenditures?
[SAS 45 (AU 1020.02); GASB 1, Sec.2300.105f
(GASB Cod. Sec. 2300.105f)]
H. Depreciation

Depreciation expense should not be recorded in governmental funds. Has this policy been followed in all governmental funds?

[GASB 1, Sec. 1400.116 (GASB Cod. Sec. 1400.116)]

I. Transfers

1. Are residual equity transfers reported as additions to or deductions from the beginning fund balance?

[GASB 1, Sec. 1800.107 (GASB Cod. Sec. 1800.107)]

2. Are operating transfers reported in the "Other Financing Sources (Uses)" section in the statement?

[GASB 1, Sec. 1800.107 (GASB Cod. Sec. 1800.107)]

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -- BUDGET AND ACTUAL -- GENERAL AND SPECIAL REVENUE FUND TYPES

A. General

1. Has the combined statement been titled as shown above for the general fund and all special revenue funds and other governmental fund types for which annual budgets have been legally adopted?

[GASB 1, Sec. 2400.102 (GASB Cod. Sec. 2400.102)]

2. Has a column for each separate governmental fund type used been presented showing combined results for all funds of that type?

[GASB 1, Sec. 2200.110 (GASB Cod. Sec. 2200.110)]

3. If a total column is shown, is it captioned "Memorandum Only" because the total column on a combined financial statement is not comparable to a consolidation?

[GASB 1, Sec. 2200.113 (GASB Cod. Sec. 2200.113)]
4. Is there a note to the financial statements which discloses the nature of the column and explains that it does not present consolidated financial information?
[GASB 1, Sec. 2200.113 (GASB Cod. Sec. 2200.113)]

5. Is the budget prepared on a consistent basis in conformity with generally accepted accounting principles (GAAP)?
[GASB 1, Sec. 2400.104 (GASB Cod. Sec. 2400.104)]

6. However, if the legally prescribed budgetary basis differs materially from GAAP, has the budgetary data been compared with actual data on the budgetary basis (e.g., which may include encumbrances)?
[GASB 1, Sec. 2400.104 (GASB Cod. Sec. 2400.104)]

7. Have differences between the budgetary basis and GAAP (as well as other differences) been explained in the notes to financial statements?
[GASB 1, Secs. 2400.104 and 2400.113-.123 (GASB Cod. Secs. 2400.104 and 2400.113-.123)]

8. Do the notes to financial statements disclose the degree to which the reporting entity's financial operations are subject to a comprehensive "appropriated budget," "nonappropriated budget," or are non-budgeted financial activities?
[GASB 1, Sec. 2400.111 (GASB Cod. Sec. 2400.111)]

9. When a separate budgetary report is prepared, do the notes to the general purpose financial statements make reference to that report?
[GASB 1, Sec. 2400.112 (GASB Cod. Sec. 2400.112)
COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS -- ALL PROPRIETARY FUND TYPES (AND SIMILAR TRUST FUNDS)

A. General

1. Is a statement titled "Combined Statement of Revenues, Expenses, and Changes in Retained Earnings -- All Proprietary Fund Types" presented?  
   [GASB 1, Sec. 2200.109-110 (GASB Cod. Secs. 2200.109-110)]

2. If material, are the variations between periods in the format of the statement of changes and in the terms used to express changes in financial position adequately disclosed in the financial statements and retroactively applied to all prior periods presented?  
   [SAS 1 (AU 420.15)]

3. If the disclosure and/or retroactive application in No. 2 above has not made, was this considered in the auditor's opinion regarding consistency?  
   [SAS 1 (AU 420.15)]

4. Does the statement include all proprietary fund types and similar trust funds?  
   [GASB 1, Sec. 2200.129 (GASB Cod. Sec. 2200.129)]

5. Is a separate column used for each proprietary fund type being used and does each column present combined data for such funds?  
   [GASB 1, Sec. 2200.110 (GASB Cod. Sec. 2200.110)]

6. If a total column is shown, is it captioned "Memorandum Only" and is there a note explaining that it does not present consolidated financial information?  
   [GASB 1, Sec. 2200.113 (GASB Cod. Sec. 2200.113)]

7. Are the major sources of operating and nonoperating revenues and expenses
shown separately on the statement?
[GASB 1, Sec. 1800.121 (GASB Cod. Sec. 1800.121)]

8. Has disclosure been made regarding the entity's policy for recognizing proprietary and nonexpendable pension and trust funds revenues and expenses?
[GASB 1, Sec. 1600.125 (GASB Cod. Sec. 1600.125)]

9. If sales or revenues are made on the installment or other deferred basis has the method of recognizing income been disclosed?
[GASB 1 Secs. 1600.116 and 125 (GASB Cod. Secs. 1600.116 and 125)]

B. Extraordinary Items

1. Has gain or loss resulting from an involuntary conversion of a non-monetary asset to a monetary asset been classified as either an extraordinary item or an unusual or infrequent item, whichever is applicable?
[FASBI No. 30, par. 4 (AC N35.118)]

2. Was the following disclosure made for gains or losses from extinguishment of debt that are classified as extraordinary items:

a. A description of the extinguishment transactions, including the sources of any funds used to extinguish debt if it is practicable to identify the sources?
[SFAS 4, par. 9 (AC D14.107)]

3. Regardless of where the debt is reported for an advance refunding, has a general description of the transaction been provided including, as a minimum:

a. The difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete the refunding?
b. The economic gain or loss resulting from the transaction? __ __ __  
[GASB 7, par. 11 (GASB Cod. Sec. D20.111)]

4. Have the following criteria for extraordinary items been considered:

a. Have material events on transactions that are unusual in nature or occur infrequently but not both, and therefore do not meet both criteria for classification as an extraordinary item, been reported as a separate component of income from continuing operations? __ __ __  
[APB 30, par. 26 (AC I22.101)]

b. Have the nature and financial effect of each transaction or event been disclosed? __ __ __  
[APB 30, par. 26 (AC I22.101)]

c. In the absence of discontinued operations and changes in accounting principles, have the following main captions been disclosed where extraordinary items are reported:

(1) Income before extraordinary items? __ __ __  
(2) Extraordinary items? (Note X) __ __ __  
(3) Net Income? __ __ __  
[APB 30, par. 11 (AC I17.102)]

5. Do disclosures include descriptions of an extraordinary event(s) or transaction(s) and the principal items entering into the determination of extraordinary gain(s) or loss(es)? __ __ __  
[APB, par. 11 (AC I17.102)]

6. Have all extraordinary items been segregated from results of ordinary operations? __ __ __  
[APB 30, par. 10]

7. For an adjustment of an extraordinary item reported in a prior period:

a. Is the adjustment classified separately as an extraordinary item in the current period? __ __ __
b. Are the nature, origin and amount of the item disclosed?  
[SFAS 16, par. 16(c) (AC II7.119)]

C. Grants, Entitlements or Shared Revenues

1. Have grants, entitlements, or shared revenues received for proprietary fund operating purposes, or which may be utilized for either operations or capital expenditures at the discretion of the recipient government, been recognized as "nonoperating" revenues in the accounting period in which they are earned and become measurable (accrual basis)?  
[GASB 1, Sec. G60.110 (GASB Cod. Sec. G60.110)]

2. When such resources in proprietary funds have been restricted for the acquisition or construction of capital assets, have the resources been recorded as contributed equity?  
[GASB 1, Sec. G60.110 (GASB Cod. Sec. G60.110)]

3. Have grants, entitlements or shared revenues recorded in trust funds been recognized as revenues on a basis consistent with the fund's measurement objective (governmental or proprietary)?  
[GASB 1, Sec. G60.111 (GASB Cod. Sec. G60.111)]

4. If the option was elected to show depreciation on grant and entitlement fixed assets as a reduction of the contributed capital account, was a corresponding amount shown after net income and labeled similar to "Add depreciation on fixed assets acquired by grants, entitlements, and shared revenues externally restricted for capital acquisitions and construction that reduces contributed capital"?  
[GASB 1, Sec. G60.116 (GASB Cod. Sec. G60.116)]
D. Interest

Has the following information with respect to interest cost been disclosed in the financial statements or related notes:

1. For an accounting period in which no interest cost is capitalized, the amount of interest cost incurred and charged to expense during the period?

2. For an accounting period in which some interest cost is capitalized, the total amount of interest cost incurred during the period and the amount thereof that has been capitalized?

[SFAS 34, par. 21 (AC I67.118)]

E. Residual Equity and Operating Transfers

1. Are residual fund transfers reported as additions to contributed capital or as reductions of retained earnings or contributed capital as appropriate in the circumstances?

2. Are operating transfers reported in the "Operating Transfers Section" of the statement?

[GASB 1, Sec. 1800.107 (GASB Cod. Sec. 1800.107)]

F. Related Party Transactions

Was disclosure made separately of material revenues and related costs and expenses in connection with transactions with related parties?

[GASB 1, Sec. 2300.105f (GASB Cod. Sec. 2300.105f); SFAS 57, par. 2 (AC R36.102)]

G. Depreciation

Have the following disclosures been made in the financial statements or in notes thereto (depreciation is provided on property and equipment recorded in proprietary funds):
1. Depreciation expense for the period? __  __  __

2. Balance of major classes of depreciable assets, by nature or function at the balance sheet date? __  __  __

3. Accumulated depreciation, either by major classes of depreciable assets or in total at the balance sheet date? __  __  __

4. A general description of the method or methods used in computing depreciation with respect to major classes of depreciable assets? [GASB 1, Sec. 1400.114-115 (GASB Cod. Sec. 1400.114-115); APB 12, par. 5 (AC D40.105)] __  __  __

H. Nonmonetary Transactions

If one or more nonmonetary transactions occurred during the period, was disclosure made in the financial statements of the nature of the transactions, the basis of accounting for the assets transferred, and gains or losses recognized on transfers? [APB 29, par. 28 (AC N35.120)] __  __  __

I. Gains on Sales of Securities

For each period for which an income statement is presented has the following been disclosed:

1. Net realized gain or loss included in the determination of net income? __  __  __

2. The basis on which cost was determined in computing realized gain or loss (that is, average cost or other method used)? [ASLGU Chap. 7, par. 10; SFAS 12, par. 12 (AC I89.106)] __  __  __

J. Futures Contracts

If the enterprise has entered into futures contracts that have been accounted for as hedges was the following disclosed:
1. The nature of the assets, liabilities, firm commitments, or anticipated transactions that are hedged with futures contracts?

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
</tr>
</thead>
</table>

2. Method of accounting for the futures contracts? The disclosure of the method shall include a description of the events or transactions that result in recognition in income of changes in value of the futures contracts.

[SFAS 80, par. 2 (AC F80.112)]

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
</tr>
</thead>
</table>

K. Research and Development Costs

Has disclosure been made in the financial statements of the total research and development costs charged to expense in each period for which an income statement is presented?

[SFAS 2, par. 13 (AC R50.109)]

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
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</thead>
</table>

L. Changes in Fund Balances/Retained Earnings

1. Has disclosure been made of changes in all fund balances/retained earnings?

[APB 12, par. 10 (AC Co8.102); GASB 1, Sec. 2200.110 (GASB Cod. Sec. 2200.110)]

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
</tr>
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</table>

2. Where a difference exists between the opening fund balances/retained earnings and the ending balances/retained earnings previously reported, have these been disclosed?

[APB 9, par. 26 (AC A35.107)]

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
</tr>
</thead>
</table>

M. Segment Information

1. Have segment disclosures been made for all "major nonhomogeneous" enterprise funds?

[GASB 1, Sec. 2500.104 (GASB Cod. Sec. 2500.104)]

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
</tr>
</thead>
</table>

2. If segment disclosures are necessary to make the general purpose financial statements (GPFS) not misleading have they been presented?

[GASB 1, Sec. 2500.104 (GASB Cod. Sec. 2500.104)]

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
</tr>
</thead>
</table>
3. Have the following segment disclosures necessary to make the financial statements not misleading been disclosed:

a. Material intergovernmental operating subsidies to an enterprise fund?  
   _ _ _

b. Material intragovernmental operating subsidies to or from an enterprise fund?  
   _ _ _

c. Material enterprise tax revenues?  
   _ _ _

d. A material enterprise fund operating income or loss?  
   _ _ _

e. A material enterprise fund net income or loss?  
   [GASB 1, Sec. 2500.105 (GASB Cod. Sec. 2500.105)]  
   _ _ _

4. Have the following disclosures been made for each "major nonhomogeneous" enterprise fund and in the aggregate for all other enterprise funds:

a. Types of goods or services provided?  
   _ _ _

b. Operating revenues (total revenues from sales of goods or services)?  
   (Sales to other funds of the governmental unit, if material, should be separately disclosed.)  
   _ _ _

c. Depreciation, depletion and amortization expenses?  
   _ _ _

d. Operating income or loss (operating revenues less operating expenses)?  
   _ _ _

e. Operating grants, entitlements, and shared revenues?  
   _ _ _

f. Operating interfund transfers in and out?  
   _ _ _

g. Tax revenues?  
   _ _ _
h. Net income or loss (total revenues less total expenses)?

i. Current capital contributions and transfers?

j. Property, plant, and equipment additions and deletions?

k. Net working capital (current assets less current liabilities)?

l. Total assets?

m. Bonds and other material long-term liabilities outstanding (amounts payable solely from operating revenues should be disclosed separately from amounts also potentially payable from other sources)?

n. Total equity?

o. Has disclosure been made of any other material facts necessary to make the GPFS not misleading?

GASB 1, Sec. 2500.107 (GASB Cod. Sec. 2500.107)

COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION -- ALL PROPRIETARY FUND TYPES (AND SIMILAR TRUST FUNDS)*

A. Title

Is the statement titled "Combined Statement of Changes in Financial Position -- All Proprietary Fund Types"?

GASB 1, Sec. 1900.112 (GASB Cod. Sec. 1900.112)

* In November 1987 the Financial Accounting Standards Board issued Statement No. 95, "Statement of Cash Flows". This Statement requires that a statement of cash flows classify cash receipts and payments according to whether they stem from operating, investing, or financing activities and provides definitions of each category.

This Statement is effective for annual financial statements for fiscal years ending after July 15, 1988. The GASB has a current project on cash flow reporting and plans to issue interim guidance for proprietary and similar trust funds. This checklist will be updated for any new guidance when it is issued.
B. Trust Fund Data

If nonexpendable trust fund operations are included in the Combined Statement of Changes in Financial Position, does the title of the statement indicate this and are such data presented separately?  
[GASB 1, Sec. 2200.105 (GASB Cod. Sec. 2200.105)]

C. Format and Content

1. Does the statement have a separate column for each proprietary fund type which presents the combined data for all funds of that type?  
[GASB 1, Sec. 2200.112 (GASB Cod. Sec. 2200.112)]

2. If a total column is shown is it captioned "Memorandum Only" and does a note to the financial statements explain that it does not present consolidated financial information?  
[GASB 1, Sec. 2200.113 (GASB Cod. Sec. 2200.113)]

3. Has the entity adopted the presentation which is most informative in its circumstances?  
[APB 19, par. 9]

4. Does the statement disclose the changes in elements of working capital for at least the current period, either in the statement or in a related tabulation?  
[APB 19, par. 12]

5. Does the statement of changes in financial position conform to the following format and accounting requirements:

a. Does the statement begin with income or loss before extraordinary items, if any, and add back (or deduct) items recognized in determining income or loss that did not provide or use working capital or cash?
b. Does the statement then disclose working capital or cash provided or used by income or loss from extraordinary items, if any?

[Yes No N/A]

---

c. Has extraordinary income or loss been similarly adjusted for items recognized that did not provide or use the working capital or cash during the period?

[APB 19, pars. 9 and 10]

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d. Does the statement disclose individually the effects of other financing and investing activities including the following:

(1) Outlays for acquisitions and proceeds from retirements of property?

[Yes No N/A]

(2) Long-term borrowings and repayments of long-term debts?

[APB 19, par. 14]

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D. Comparability

1. Does the statement disclose variations between periods in the format (such as changing to or from a balanced form) and in the terms used to express changes in financial position (such as changing from "working capital" to "cash")?

[SAS 1, Sec. 420 par. 15 (AU 420.15)]

[Yes No N/A]

2. If material, are the variations adequately disclosed in the financial statements and retroactively applied to all prior periods presented?

[SAS 1, Sec. 420 par. 15 (AU 420.15)]

[Yes No N/A]

3. If the disclosure and/or retroactive application in No. 2 above was not made, was this considered in the auditor's opinion regarding consistency?

[SAS 1, Sec. 420 par. 15 (AU 420.15)]

[Yes No N/A]
OTHER DISCLOSURES

I. Pension Disclosures

A. Pension Plans---Separately Issued PERS Reports - Defined Benefit Pension Information

For pension disclosures in separately issued PERS financial reports, do the notes to the financial statements disclose the following:

1. Plan description

   a. Identification of the PERS as the administrator of a single-employer agent multiple-employer, or cost sharing multi-employer plan, and the reporting entity, if any, of which it is a component unit; also number and types of contributing employers and non-employer contributors?

   b. Types of employees covered and current membership, with separate identification of the number of (a) retirees and beneficiaries currently receiving benefits, and terminated employees entitled to benefits but not yet receiving them and (b) fully vested, partially vested, and non-vested active employees covered by the plan?

   c. A brief statement about benefit provisions, employee eligibility requirements including eligibility for vesting and the authority under which benefit provisions are established?

   d. Employer and employee obligations to contribute and the authority under which those obligations are established?

   [GASB 5 par. 30a (GASB Cod. Sec. Pe6.130a)]
2. Summary of Significant Accounting Policies and Plan Asset Matters

a. Significant accounting policies including basis of accounting, method used to value assets for balance sheet purposes, and, if assets are valued at cost, the method used to account for exchanges or "SWAPS" of securities? (Also, disclose the effects on the amount of net assets available for benefits of any changes in accounting policies during the year.)

b. Investments (other than U.S. government and U.S. government guaranteed obligations) in any one organization that represents 5 percent or more of net assets available for benefits?

c. Investments in, loans to, or leases with any PERS official, governmental employer official, party related to a PERS official or governmental employer official nonemployer contributor or organization included in the reporting entity of any participating employer? (Loans to employees from their own contributions, permitted by the terms of the plan, should not be listed.)

3. Funding Status and Progress

a. Explanation that the pension benefit obligation, which is the actuarial present value of credited projected benefits is a standardized disclosure measure of the present value of pension benefits, adjusted for the effect of projected salary
increases and any step-rate benefits estimated to be payable in the future as a result of employee service to date?  

b. Date of the actuarial valuation performed to determine the pension benefit obligation?

c. Significant actuarial assumptions used to compute the pension benefit obligation, including rate of return on investment of present and future assets (discount rate) projected salary increases due to (1) inflation and (2) merit or seniority, and postretirement benefit increases?  

[The rate of return on investments should be a rate based on an estimated long-term yield considering (i) the nature and mix of current and expected investment and (ii) the basis used to value those assets. That rate and other assumptions should be determined by taking into account all relevant factors and expectations and should be calculated in accordance with recognized actuarial principles.]

d. Pension benefit obligation in total and segregated as follows:

(1) Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them?

(2) Current employees--

(a) Accumulated employee contributions including allocated investment income, if any?

(b) Employer-financed vested?
(c) Employer-financed non-vested?  

Yes  No  N/A

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e. Net assets available for benefits, as of the same date as the pension benefit obligation, determined in accordance with the method used to value assets for PERS balance sheet purposes? If assets are valued at other than market, has market value also been disclosed?

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f. Difference between the total amounts in d. and e. labeled "Unfunded [assets in excess of] pension benefit obligation"?

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g. Explanation including separate dollar effects on the pension benefit obligation, of any current-year changes in (1) actuarial assumptions or (2) benefit provisions?

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[GASB 5 par. 30c (GASB Cod. Sec. P6.130c)]

4. Contributions Required and Contributions Made

a. Funding Policy, including the role of actuarially determined contribution requirements in carrying out that policy?

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b. If contribution requirements are actuarially determined, have these disclosures been made:

(1) Actuarial funding method and the period and method for amortizing any unfunded actuarial accrued liability?

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(2) Has a statement been included that significant actuarial assumptions used to compute actuarially determined contribution requirements are
the same as those used to compute the pension benefit obligation, or explanation of the differences?

(3) Actuarially determined contribution requirements and the amounts intended to (i) cover normal cost and (ii) amortize any unfunded actuarial accrued liability, and contributions actually made by employer(s) and employees. Single-employer PERS and cost-sharing multiple-employer PERS should also disclose both employer and employee contributions actually made as percentages of the current-year covered payroll?

(4) Explanation, including separate dollar effects on contribution requirements, of any current-year changes in (i) actuarial assumptions, (ii) benefit provisions, (iii) actuarial funding methods, or (iv) other significant factors?

c. If contribution requirements are not actuarially determined, were the following disclosed:

(1) The fact that the contribution requirement was not actuarially determined?

(2) How the requirement was established? (For example, a rate established by law)

(3) Whether an actuary was used to determine the actuarial implications of the requirement (for example, period of amortization of the unfunded actuarial accrued liability),
and what those implications are?

(4) The amount of the contribution requirement and the contribution actually made by employer(s) and employees. Single-employer PERS and cost sharing multi-employer PERS should also disclose both employer and employee contributions actually made as percentages of current-year covered payroll?

(5) Explanation, including separate dollar effects on contribution requirements, of any current-year changes in the method used to calculate or establish contribution requirements, for example, a change in the law?

[GASB 5 par. 30d (GASB Cod. Sec. Pe6.130d)]

5. Location of the 10-year historical trend information required to be disclosed by paragraph 32 of Statement No. 5 of the Governmental Accounting Standards Board (see below), and an explanation that this provides information about progress made in accumulating sufficient assets to pay benefits when due?

[GASB 5 par. 30e (GASB Cod. Sec. Pe6.130e)]

6. Does the PERS reporting also include disclosure of 10-year historical trend information as required supplementary information?

[GASB 5 par. 31 (GASB Cod. Sec. Pe6.131)]

7. Does the 10-year historical trend information disclose the following:

a. Net assets available for benefits (as of the same date as the
pension benefit obligation and as valued for PERS balance sheet purposes), the pension benefit obligation, and the former expressed as a percentage of the latter, also unfunded [assets in excess of] pension benefit obligation, annual covered payroll, and the former expressed as a percentage of the latter?

b. Revenues by source (employer contributions, employee contributions, investment income, and other income) and expenses by type (benefit payments, administrative expenses, refunds of employee contributions, and other expenses)?

Except for agent multiple-employer PERS, employer contributions should be expressed both as dollar amounts and as percentages of annual covered payroll? (The disclosure should state whether contributions were made in accordance with actuarial requirements.)

c. If contributions actually made for particular years differed from actuarial or legal requirements, both the contribution made and the contribution required should be presented for those years?

d. Has the timing, nature and total dollar effect of any changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, or other factors that significantly affect the information presented in a, b and c above been disclosed for the year in which the changes are made?

[GASB 5, par. 32 (GASB Cod. Sec. Pe6.132)]
B. Pension Disclosures in Employer Financial Reports - Defined Benefit Pension Information - Single-Employer and Agent Multiple-Employer Plans

1. Do employers disclose in their notes to financial statements the information that follows for each single-employer PERS and each agent multi-employer PERS to which they contribute:

a. Plan Description

(1) Identification of the PERS to which contributions are made as single employer or agent multi-employer? Yes No N/A

(2) Amount of the employer's current-year covered payroll and the employer's total current-year payroll for all employees? Yes No N/A

(3) A brief statement about types of employees covered, benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established? Yes No N/A

[GASB 5, par. 35a (GASB Cod. Sec. P20.123a)]

(4) Employer and employee obligations to contribute and the authority under which those obligations are established? Yes No N/A

[b. The amounts and types of securities, if any, of the employer and related parties included in PERS assets, including loans to the employer? (Whether in the form of notes, bonds, or other instruments) Yes No N/A

[GASB 5, par. 35b (GASB Cod. Sec. P20.123b)]

c. Funding Status and Progress

(1) Explanation that the pension benefit obligation which is
the actuarial present value of credited projected benefits, is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and any step-rate benefits, estimated to be payable in the future as a result of employee service to date?

(2) Date of the actuarial valuation performed to determine the pension benefit obligation?
(Actuarial valuations must be performed at least biennially, with an actuarial up-date to the date 12 months after that biennial valuation.) (Balance sheet date valuations are encouraged but not required.)

(3) Significant actuarial assumptions used to compute the pension benefit obligation, including rate of return on investment of present and future assets (discount rate), projected salary increases due to (a) inflation and (b) merit or seniority, and postretirement benefit increases?
The rate of return on investments should be a rate based on an estimated long-term yield considering (i) the nature and mix of current and expected investments and (ii) the basis used to value those assets.

(4) Pension benefit obligation applicable to the entity's employees, in total and segregated as follows:

(a) Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them?
(b) Current employees-

(1) Accumulated employee contributions including allocated investment income, if any?  

(ii) Employer-financed vested?  

(iii) Employer-financed nonvested?  

(5) Net assets available for benefits, as of the same date as the pension benefit obligation, determined in accordance with the method used to value assets for PERS balance sheet purposes?  

Also, the method used to value assets for PERS balance sheet purposes?  

If assets are valued at other than market, is market value also disclosed?  

(6) Difference between the total amounts in 4 and 5 labeled "Unfunded [assets in excess of] pension benefit obligation"?  

(7) Explanation, including separate dollar effects on the pension benefit obligation, of any current-year changes in (1) actual assumptions?  

or  

(2) benefit provisions?  

[GASB 5, par. 35c (GASB Cod. Sec. P20.123c)]  

d. Contribution Required and Contribution Made

(1) Funding policy, including the role of actuarially determined contribution requirements in carrying out that policy?
(2) If contribution requirements are actuarially determined, have these disclosures been made?

(a) Actuarial funding method and the period and method for amortizing any unfunded actuarial accrued liability?

(b) Statement that significant actuarial assumptions used to compute actuarially determined contribution requirements are the same as those used to compute the pension benefits obligation, or an explanation of the differences?

(c) Actuarially determined contribution requirement and the amounts intended to (a) cover normal cost and (b) amortize any unfunded actuarial accrued liability, and contributions actually made by the employer and employees, expressed both in dollar amounts and as percentages of current-year covered payroll?

(d) Explanation including separate dollar effects on contribution requirements, of any current-year changes in (a) actuarial assumptions, (b) benefits provisions, (c) actuarial funding method, or (d) other significant factors?

(3) If contribution requirements are not actuarially determined, have the following disclosures been made:

(a) The fact that the contribution requirement was not actuarially determined?
(b) How the requirement was established (for example, a rate established by law)?

(c) Whether an actuary was used to determine the actual implications of the requirement (for example, period of amortization of the unfunded actuarial accrued liability), and what those implications are?

(d) The amount of the contribution requirement and the contribution actually made by employer and employees. Also disclose both the employer and employee contribution actually made as percentages of current-year covered payroll?

(e) Explanation including separate dollar effects on contributions required of any current-year changes in the method used to calculate or establish contribution requirements, for example, a change in the law?

[GASB 5 par. 35d (GASB Cod. Sec. P20.123d)]

e. Three-Year Historical Trend Information (Until three years' data are available; as many years as are available should be presented.)

(1) Net assets available for benefits expressed as percentages of the pension benefit obligation applicable to the entity's employees?

(2) Unfunded [assets in excess of] pension benefit obligation, expressed as percentages of annual covered payroll?
(3) Employer contributions expressed as percentages of annual covered payroll. This disclosure should state whether contributions were made in accordance with actuarially determined requirements?

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
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[GASB 5 par. 35e (GASB Cod. Sec. P20.123e)]

f. Reference to 10-year historical trend information in separately issued PERS reports (or in employer reports: see Section IB2) and an explanation that this provides information about progress made in accumulating sufficient assets to pay benefits when due?

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
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[GASB 5 par. 35f (GASB Cod. Sec. P20.123f)]

2. Has the following required 10-year trend information been disclosed:

a. Net assets available for benefits? (As of the same date as the pension benefit obligation as valued for PERS balance sheet purposes.)

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
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</table>

b. Pension benefits obligation, and the net assets available for benefits expressed a percentage of the pension benefit obligation?

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
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</thead>
</table>

c. Unfunded [assets in excess of] pension benefit obligation, annual covered payroll, and the percentage of unfunded [assets in excess of] pension benefits obligation as a percentage of annual covered payroll?

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
</tr>
</thead>
</table>

d. The timing, nature and total dollar effect of any changes in actuarial assumptions, benefits provisions, actuarial funding methods, accounting policies or other factors that significantly affect the information presented for the year in which the changes are made?

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<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
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[GASB 5 par. 36 (GASB Cod. Sec. P20.124)]
C. Single Employer PERS Included as a Pension Trust Fund in the Employer Reporting Entity - Defined Benefit Pension Information

Does the employer reporting on its participation in a single-employer PERS that is included as a pension trust fund in the employer reporting entity make the following disclosures:

1. A single set of disclosures representing a combination of the disclosures required by Sections IA and IB of this disclosure checklist adapted to cover both the PERS and the employer? __ __ __

2. In order to satisfy the requirements of Section IB1f of this disclosure checklist (reference to 10-year historical trend information in separately issued PERS reports or in employer reports and an explanation that this provides information about progress made in accumulating sufficient assets to pay benefits when due), has the employer made reference to the required 10-year historical trend information included in an employer CAFR or in a separately issued PERS report, if that report is publicly available? __ __ __

[GASB 5, par. 37 (GASB Cod. Sec. P20.125)]

D. Multi-Employer PERS Included as a Pension Trust Fund in the Employer Reporting Entity - Defined Benefit Pension Information

Does the employer reporting entity combine the disclosure requirements of:

1. Section IA - "Pension Plan Disclosures in Separately Issued PERS Reports - Defined Benefit Information?" __ __ __

2. Section IB1 - "Pension Disclosures in Employer Financial Reports - Defined Benefit Pension Information?" __ __ __

3. Section IB2 - certain 10-year historical information? __ __ __
4. Section IE - "Employers Contributing to Cost-Sharing Multi-Employer PERS - Defined Benefit Pension Information?"

[ GASB 5, par. 38 (GASB Cod. Sec. P20.126) ]

| E. Employers Contributing to Cost-Sharing Multi-Employer PERS - Defined Benefit Pension Information |
| --- | --- | --- |
| Do the employers disclose in their notes to financial statements the following information for each cost-sharing multi-employer PERS to which they contribute: |
| 1. Identification of the PERS as a cost-sharing multiple-employer PERS? |
| 2. Amount of the employer's current-year covered payroll and the employer's total current-year payroll for all employees? |
| 3. A brief statement about types of employees covered, benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established? |
| 4. Employer and employee obligations to contribute and the authority under which those obligations are established? |
| 5. The entity's actuarially determined contribution requirement and the employee and employer contributions actually made, expressed both in dollar amounts and as percentages of the employer's current-year covered payroll; also, disclose any current-year changes in actuarial assumptions, benefit provisions, actuarial funding method, or other |
significant factors and the aggregate effect on the employer's contribution rate, expressed as a percentage of the employer's current-year covered payroll?

Yes No N/A

6. Explanation that the pension benefit obligation, which is the actuarial present value of credited projected benefits, is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and any step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the PERS funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS and among employers?

Yes No N/A

7. The total PERS pension benefit obligation and the total PERS net assets available for benefits (as of the same date as the pension benefit obligation)?*

Yes No N/A

8. The employer's actuarially determined contribution requirement expressed as a percentage of total current-year actuarially determined contribution requirements for all employers?

Yes No N/A

* An entity whose contribution to a cost-sharing multiple-employer PERS exceeds 50 percent of the actuarially determined contribution requirements for all participating entities may disclose its allocated share of the PERS pension benefit obligation and net assets available for benefits instead of the disclosure required by GASB No. 5 paragraph 39g. That allocation should be based on the percentage required to be disclosed in paragraph 39h, and the method of allocation should be disclosed.
9. Reference to 10-year historical trend information in separately issued PERS reports and an explanation that this provides information about progress made in accumulating sufficient assets to pay benefits when due?

Yes  No  N/A

10. The amounts and types of securities, if any, of the employer and related parties included in PERS assets, including loans to the employer (whether in the form of notes, bonds, or other instruments)?

[GASB 5, par. 39 (GASB Cod. Sec. P20.127)]

F. Component Units' Pension Information in the Reporting Entity's Financial Reports - Defined Benefit Pension Information

1. When separate financial reports of component units are publicly available (containing the pension disclosures required by GASB Statement No.5), have the reporting entity's disclosures been minimized by referring to those reports and providing condensed data?

[GASB 5, par. 40 (GASB Cod. Sec. P20.128)]

2. Have disclosure requirements in Section IB been limited to the following:

a. Pension benefit obligation?

b. Net assets available for benefits?

c. A statement indicating whether actuarially determined employer contribution requirements were met?

[GASB 5, par. 40 (GASB Cod. Sec. P20.128)]

3. Have Section IE disclosures (employers contributing to cost-sharing multi-employer PERS) been limited to a statement that
actuarially determined contribution requirements were met and that the contributions were made to the same cost-sharing multi-employer PERS in which the oversight entity participates, if that is the case? [GASB 5, par. 40 (GASB Cod. Sec. P20.128)]

G. Noncontributing Employers - Defined Benefit Pension Information

1. If the employer is not legally responsible for making contributions to a PERS but its employees are covered by a PERS because of contributions made by another entity, as described in GASB 5, par. 11, did the employer disclose in its notes to financial statements the following information for each of those situations:

a. Name of the entity making contributions on behalf of the employer's employees and the amount of the contribution?  

b. Types of employees covered and employee eligibility requirements, including eligibility for vesting?

c. The employer's total current-year payroll for all employees, and its current-year covered payroll for that plan?

d. Employee and nonemployer contributor obligations to contribute and the authority under which those obligations are established? [GASB 5, par. 41 (GASB Cod. Sec. P20.129)]

2. If the legal responsibility for making contributions remains with the participating employer but another entity pays the annual
employer contribution directly to the PERS as a matter of convenience, did the entity comply with the disclosure requirements of Section IB-E of this checklist which apply to the participating employer? ___  ___  ___  
[GASB 5, par. 41 (GASB Cod. Sec. P20.129)]

H. Unfunded Pension Arrangements - Defined Benefit Pension Information

If the defined benefit pension arrangement is not being funded and no contributions are made from any source before benefits are actually paid to retirees and other beneficiaries, has the employer disclosed its pension obligations? Were the disclosure requirements in Section IB-E of this checklist followed? ___  ___  ___  
[GASB 5, par. 42 (GASB Cod. Sec. P20.130)]

I. Reporting by Nonemployer Contributors - Defined Benefit Pension Information

Have the following disclosures been considered for each nonemployer contributor:

1. If the entity is legally responsible for making contributions to PERS that cover individuals other than their own employees? ___  ___  ___  

2. If the nonemployer contributor is legally responsible for contributions to a single-employer or agent multi-employer PERS, has disclosure been made about its participation in the PERS in accordance with Section IB-D, as appropriate? ___  ___  ___  

3. If the nonemployer contributor is responsible for making contributions to a cost-sharing multi-employer PERS, do the disclosures conform to the requirements of Section IB? ___  ___  ___  

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4. Have disclosures made in accordance with Section I.B.1.a(2) and I.E.2. been limited to the number of employees and amount of payroll covered by the PERS to which the contributions are made?

[GASB 5, par. 43 (GASB Cod. Sec. P20.131)]

J. Defined Contribution Pension Information

Have the following disclosures been considered for each defined contribution pension plan:

1. If the pension plan has characteristics of both a defined benefit plan and a defined contribution plan, have the appropriate disclosures been made?

[GASB 5, par. 45 (GASB Cod. Sec. P20.133)]

2. If the substance of the plan is to provide a defined benefit in some form, have disclosures been made in accordance with Section IA-II?

[GASB 5, par. 45 (GASB Cod. Sec. P20.133)]

3. Do notes to separately issued financial statements for defined contribution pension plans include the following information:

a. Plan Description

(1) Identification of the PERS as the administrator of a single-employer or multi-employer defined contribution plan, and the reporting entity, if any, of which it is a component unit; also, number and types of contributing employers and nonemployer contributors?

(2) Types of employees covered and current membership?
(3) A brief statement about plan provisions, including the authority under which those provisions are determined, and employee eligibility requirements, including eligibility for vesting?

(4) Employer and employee obligations to contribute and the authority under which those obligations are established?


(1) Significant accounting policies including basis of accounting, method used to value assets for balance sheet purposes, and, if assets are valued at cost, the method used to account for exchanges or "swaps" of securities? If assets are valued for balance sheet purposes at other than market, disclosure of market value? (Also, disclosure of the effects on the amount of net assets available for benefits of any changes in accounting policies during the year?)

(2) Investments (other than U.S. government and U.S. government-guaranteed obligations) in any one organization that represent 5 percent or more of net assets available for benefits?

(3) Investments in, loans to, or leases with any PERS official, governmental employer official, party
related to a PERS official or governmental employer official, nonemployer contributor, or organization included in the reporting entity of any participating employer? (Loans to employees from their own contributions, permitted by the terms of the plan, should not be listed.)

\[\text{Yes } \quad \text{No } \quad \text{N/A}\]

\[\text{[GASB 5, par. 46 (GASB Cod. Sec. Pe6.137)]}\]

4. Do employers disclose in the notes to financial statements the following information for each defined contribution plan to which they contribute, whether administered by a PERS, insurance company, or other organization:* 

(a) Identification of the plan to which contributions are made as a defined contribution plan?  

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also, a brief statement about plan provisions and employee eligibility requirements, including types of employees covered and eligibility for vesting?

(d) Contribution requirement and the contributions actually made by the employer and employees, expressed both in dollar amounts and as percentages of the employer's current-year covered payroll; also the effects of any current-year changes in plan provisions?

(e) The amounts and types of securities, if any, of the employer and related parties included in plan assets, including loans to the employer (whether in the form of notes, bonds, or other instruments)?

[GasB 5, par. 47 (GasB Cod. Sec. P20.134)]

II. Deferred Compensation Plans

Deferred Compensation Plans Under Internal Revenue Code Section 457

Are IRC Section 457 deferred compensation balances displayed in an agency fund?

[GasB 2, par. 9 (GasB Cod. Sec. D25.109)]

Is the following information disclosed for deferred compensation plans under Internal Revenue Code Section 457:

1. The plan assets remain the property of the employer until paid or made available to participants, subject only to claims of the employer's general creditors?

[GasB 2, par. 13 (GasB Cod. Sec. D25.113)]

2. The governmental unit's fiduciary
responsibility, including uses of plan assets for purposes other than paying benefits?  
Yes No N/A  
[GASB 2, par. 13 (GASB Cod. Sec. D25.113)]

3. If the plan is a multiple-jurisdiction plan, the portion of the assets in the fund which the administering governmental entity has legal access, as distinguished from the assets held for other participating governmental employees?  
Yes No N/A  
[GASB 2, par. 13 (GASB Cod. Sec. D25.113)]

III. Special Assessments

Effective for financial statements for periods beginning after June 15, 1987, have the following recommended disclosures been made:

1. If the government is obligated in some manner for special assessment debt, do the notes to financial statements disclose the information required in GASB 1, Sec. 2300 "Notes to Financial Statements," as it applies to long term debt?  
Yes No N/A  
[GASB 6, par. 20 (GASB Cod. Sec. S40.120)]

2. Do the notes identify and describe any guarantee, reserve or sinking fund established to cover defaults by property owners?  
Yes No N/A  
[GASB 6, par. 20 (GASB Cod. Sec. S40.120)]

3. Do the notes disclose the amount of special assessment receivables that are delinquent if not separately displayed on the face of the financial statements?  
Yes No N/A  
[GASB 6, par. 20 (GASB Cod. Sec. S40.120)]

4. If the government is not obligated in any manner for special assessment debt, do the notes disclose the amount of the debt and the fact that the government is in no way liable for repayment but is only acting as agent for the property owners in collecting the assessments, forwarding the collections to bondholders, and initiating foreclosure proceedings, if appropriate?  
Yes No N/A  
[GASB 6, par. 21 (GASB Cod. Sec. S40.121)]
5. If earlier application was elected for GASB No. 6, were the accounting changes adopted to conform to the provisions of this statement applied retroactively, if practicable, and were the financial statements for all prior periods presented restated?

[GASB 6, par. 27 (GASB Cod. Sec. Appendix C)]

6. For the year in which Statement No. 6 is first applied, have the following disclosures been made:

a. The nature of the restatement and its effect?

b. The reason for not restating any prior periods presented?

[GASB 6, par. 27 (GASB Cod. Sec. Appendix C)]

IV. Investments

A. Investments Accounted for by the Equity Method and Joint Ventures

1. Have the following disclosures applicable to the equity method of accounting for investments in common stock been made:

a. The name of each investee and percentage of ownership or other manifestation of significant influence?

b. Accounting policies of the client relative to equity method investments?

c. Difference, if any, between the amount at which the investment is carried and the amount of underlying equity in net assets and the accounting treatment of the difference?

d. The aggregate market value of each identified investment for which a market value is available?
e. When investments in unconsolidated subsidiaries or joint ventures are in the aggregate material in relation to financial position or results of operations, has summarized information as to assets, liabilities, and results of operations been presented in the notes or have separate statements been presented for such subsidiaries or joint ventures, either individually or in groups, as appropriate?

[APB 18, par. 20 (AC 182.110)]

f. Are equity method investments shown in the balance sheet as a single amount, and the client's share of operating results of the investee shown in the operating statement as a single amount, except for extraordinary items, prior-period adjustments, etc.?

[APB 18, par. 19c and d (AC 182.109c and d)]

2. If an investment in a joint venture does not meet the criteria for inclusion within the reporting entity (refer to GASB Cod. Sec. 2100.108 - .112), was the equity method used? [GASB 1, Sec. J50.102 (GASB Cod. Sec. J50.102)] Were the following disclosures made in addition to disclosures required in Section IVA shown above?

a. A general description of each joint venture, including:

(1) Identifying the participants and their percentage shares?

(2) Describing the arrangements for selecting the governing body or management?

(3) Disclosing the degree of control the participants have over budgeting and financing?
b. Condensed or summary financial information on each joint venture including:

   (1) Balance sheet date? ________________________________ Yes No N/A

   (2) Total assets, liabilities, and equity? ____________ _______ _______

   (3) Total revenues expenditures/expenses, other financing sources (uses), and net increase (decrease) in fund balance/retained earnings? ____________ _______ _______

   (4) Reporting entity's share of assets, liabilities, equity, and changes therein during the year, if known? ____________ _______ _______

c. Joint venture debt, both current and long-term, and the security for the debt. [GASB 1, Sec. J50.103 (GASB Cod. Sec. J50.103)] ____________ _______ _______
APPENDIX

PENSION PLANS

In September 1986 GASB 4, par. 10 (GASB Cod. Sec. P20.106) indicated that state and local governmental employers should not change their accounting and financial reporting of pension activities as a result of FASB Statement No. 87, Employers Accounting for Pensions.

According to GASB 4, paragraph 4, the following pronouncements are considered by the Board as sources of acceptable accounting and reporting principles for PERS and state and local government employers (the order shown does not indicate preference):

1. NCGA Statement 1, Governmental Accounting and Financial Reporting Principles.*
2. NCGA Statement 6.
3. FASB Statement 35.

The above three sources were to provide interim guidance pending issuance by the Board of a statement on pension accounting and financial reporting.

*Amendment to NCGA Statement 1 [GASB Stat. No. 4, par. 11]

Footnote 8 of NCGA Statement 1 (Cod. Sec. Pe5.134, footnote 3) is superseded and replaced with the following:

Proprietary fund employers that account for pension activities in accordance with NCGA Statement 1 should recognize pension plan expenses and liabilities and make appropriate disclosures in conformity with APB Opinion No. 8, "Accounting for the Cost of Pension Plans," as amended by FASB Statement No. 36, "Disclosure of Pension Information" (if the required information is available), and by FASB Statement No. 74, "Accounting for Special Termination Benefits Paid to Employees."

Footnote 4 to paragraph 8 of FASB Statement 36 provides that if the information required to be disclosed by that Statement is not available, the employer should disclose the reasons why that information is not available and should continue to comply with the disclosure requirements of APB Opinion 8.

EFFECTIVE DATE AND TRANSITION

The provisions of this Statement are effective on issuance. [GASB 4, par. 12 (GASB Cod. Sec. Appendix C)]
PENSION PLANS--DEFINED BENEFIT -
PERS reporting in accordance with FASB 36

(The related pension assets and obligations of the Plan may be reported in fiduciary fund types as "pension trust funds." See the section on public employee retirement system (PERS) disclosures on page 96 for disclosures if plan statements are included in the GPFS.)

1. In addition to the disclosure requirements of GASB 5, see Section I -- "Other Disclosures", if the PERS are reporting in accordance with FASB 36 (AC P15), are each of the following items included in the information disclosed about the governmental unit's pension plans: [Note: Disclosures required by GASB 5, see Section I, should not be repeated to satisfy SFAS 36 requirements.]

   a. A statement that such plans exists, identifying or describing the employee groups covered? ___ ___ ___

   b. The governmental unit's accounting and funding policies? ___ ___ ___

   c. The provision for pension cost for each period presented? ___ ___ ___

   d. The nature and effect of significant matters affecting comparability for all periods presented? [SFAS 36, par. 7 (AC P15.130)] ___ ___ ___

2. Are the following disclosed for each complete set of financial statements as of the most recent benefit information date:

   a. Actuarial present value of vested accumulated plan benefits? ___ ___ ___

   b. Actuarial present value of nonvested accumulated plan benefits? ___ ___ ___

   c. Plan's net assets available for benefits? ___ ___ ___

   d. Assumed rates of return used in determining actuarial present value of vested and nonvested accumulated plan benefits? ___ ___ ___
e. Date as of which the benefit information was determined?  
[SFAS 36, par. 8 (AC P15.131)]

3. If 2 (a) through (e) were not available, is the amount, if any, of excess of the actuarially computed value of vested benefits over the total of the pension fund and any balance sheet pension accruals, less any pension prepayments or deferred charges, disclosed, and the reasons why (a) through (e) were not provided?  
[SFAS 36, par. 8 (AC P15.131)]

4. Are accrued or prepaid pension costs reflecting the difference between amounts charged against operations and amounts paid, if any, shown in the balance sheet?  
[APB 8, par. 18 (AC P15.111)]

PENSION PLANS--DEFINED CONTRIBUTION
PERS reporting in accordance with FASB 36

1. In addition to the disclosure requirements of GASB 5, see Section IJ, if the PERS is reporting in accordance with SFAS 36 (AC P15), are each of the following items included in the information disclosed about the governmental unit's defined contribution plan:

   a. A statement that a plan exists, identifying or describing the employee groups covered?  
   [SFAS 36, par. 7 (AC P15.130)]

   b. The governmental unit's accounting and funding policies?  

   c. The provision for pension cost for each period presented?  

   d. The nature and effect of significant matters affecting comparability for all periods presented?  

   [Note: Disclosures required by GASB 5, see Section I, should not be repeated to satisfy SFAS 36 requirements.]
ILLUSTRATIVE COMBINED FINANCIAL STATEMENTS

Illustrative Combined Balance Sheet—All Fund Types and Account Groups

December 31, 19X2

<table>
<thead>
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<th>Assets</th>
<th>Governmental Fund Types</th>
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<th>Proprietary Fund Types</th>
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<th>Fiduciary Fund Type</th>
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<th>Account Groups</th>
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<th>Totals (Memorandum Only)</th>
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<td>Special</td>
<td>Debt</td>
<td>Capital</td>
<td>Projects</td>
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<td>Special</td>
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<td>Capital</td>
<td>Projects</td>
<td>General</td>
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<td>Receivables (net, where applicable, of allowances for uncollectibles):</td>
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<td>Taxes, including interest, penalties, and liens (note 2)</td>
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<td>Accrued interest</td>
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<td>Due from other governments (note 3)</td>
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<td>10,864,206</td>
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<td>Inventory, at cost</td>
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<td>Restricted assets:</td>
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<td>Amount available in Debt Service Funds</td>
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<td>Amount to be provided for retirement of general long-term debt</td>
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</tr>
<tr>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vouchers and accounts payable</td>
<td>$118,261</td>
<td>$32,454</td>
<td>$29,000</td>
<td>$15,000</td>
<td>$5,200</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contracts payable</td>
<td>$118,261</td>
<td>$32,454</td>
<td>$29,000</td>
<td>$15,000</td>
<td>$5,200</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Judgments payable</td>
<td>32,454</td>
<td>5,200</td>
<td>15,000</td>
<td>5,200</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits</td>
<td>29,000</td>
<td>29,000</td>
<td>29,000</td>
<td>29,000</td>
<td>29,000</td>
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<tr>
<td>Total liabilities</td>
<td>118,261</td>
<td>32,454</td>
<td>29,000</td>
<td>15,000</td>
<td>5,200</td>
<td></td>
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<table>
<thead>
<tr>
<th>Liabilities</th>
<th>$179,973</th>
<th>$53,724</th>
<th>$14,000</th>
<th>$14,100</th>
<th>$14,000</th>
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<tbody>
<tr>
<td>Vouchers and accounts payable</td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Contracts payable</td>
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<td></td>
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<tr>
<td>Judgments payable</td>
<td></td>
<td></td>
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<tr>
<td>Deposits</td>
<td>14,000</td>
<td>14,100</td>
<td>14,100</td>
<td>14,100</td>
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<tr>
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<tr>
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<tr>
<td>Contracts payable</td>
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<td>Judgments payable</td>
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<tr>
<td>Deposits</td>
<td></td>
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<td>Total liabilities</td>
<td></td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>$1,700,000</th>
<th>$6,913,250</th>
<th>$1,700,000</th>
<th>$1,700,000</th>
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<tbody>
<tr>
<td>Vouchers and accounts payable</td>
<td>$1,700,000</td>
<td>$6,913,250</td>
<td>$1,700,000</td>
<td>$1,700,000</td>
<td>$1,700,000</td>
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<tr>
<td>Contracts payable</td>
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<td>$6,913,250</td>
<td>$1,700,000</td>
<td>$1,700,000</td>
<td>$1,700,000</td>
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<tr>
<td>Judgments payable</td>
<td>$1,700,000</td>
<td>$6,913,250</td>
<td>$1,700,000</td>
<td>$1,700,000</td>
<td>$1,700,000</td>
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<tr>
<td>Deposits</td>
<td>$1,700,000</td>
<td>$6,913,250</td>
<td>$1,700,000</td>
<td>$1,700,000</td>
<td>$1,700,000</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>$1,700,000</td>
<td>$6,913,250</td>
<td>$1,700,000</td>
<td>$1,700,000</td>
<td>$1,700,000</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>$15,088,173</th>
<th>$9,850,699</th>
<th>$15,088,173</th>
<th>$9,850,699</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vouchers and accounts payable</td>
<td>$15,088,173</td>
<td>$9,850,699</td>
<td>$15,088,173</td>
<td>$9,850,699</td>
</tr>
<tr>
<td>Contracts payable</td>
<td>$15,088,173</td>
<td>$9,850,699</td>
<td>$15,088,173</td>
<td>$9,850,699</td>
</tr>
<tr>
<td>Judgments payable</td>
<td>$15,088,173</td>
<td>$9,850,699</td>
<td>$15,088,173</td>
<td>$9,850,699</td>
</tr>
<tr>
<td>Deposits</td>
<td>$15,088,173</td>
<td>$9,850,699</td>
<td>$15,088,173</td>
<td>$9,850,699</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>$15,088,173</td>
<td>$9,850,699</td>
<td>$15,088,173</td>
<td>$9,850,699</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
# Illustrative Combined Statement of Revenues, Expenditures, and Changes in Fund Balances—All Governmental Fund Types and Expendable Trust Funds

**Year Ended December 31, 19X2**

<table>
<thead>
<tr>
<th>Revenue:</th>
<th>19X2</th>
<th>19X1</th>
<th>19X2</th>
<th>19X1</th>
<th>19X2</th>
<th>19X1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes and special assessments</td>
<td>846,800</td>
<td>189,300</td>
<td>49,362</td>
<td>—</td>
<td>—</td>
<td>1,085,462</td>
</tr>
<tr>
<td>Licenses and permits</td>
<td>103,000</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>103,000</td>
</tr>
<tr>
<td>Intergovernmental (notes 3 and 8)</td>
<td>186,500</td>
<td>831,366</td>
<td>41,500</td>
<td>1,250,000</td>
<td>—</td>
<td>2,309,366</td>
</tr>
<tr>
<td>Charges for services</td>
<td>91,000</td>
<td>79,100</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>170,100</td>
</tr>
<tr>
<td>Fines and forfeits</td>
<td>33,200</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>33,200</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>18,000</td>
<td>71,359</td>
<td>2,500</td>
<td>3,750</td>
<td>150</td>
<td>95,759</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>1,278,500</td>
<td>1,171,125</td>
<td>93,362</td>
<td>1,253,750</td>
<td>150</td>
<td>3,796,887</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenditures:</th>
<th>19X2</th>
<th>19X1</th>
<th>19X2</th>
<th>19X1</th>
<th>19X2</th>
<th>19X1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General government</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public safety</td>
<td>258,395</td>
<td>480,000</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>738,395</td>
</tr>
<tr>
<td>Highways and streets</td>
<td>85,400</td>
<td>417,000</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>502,400</td>
</tr>
<tr>
<td>Sanitation</td>
<td>56,250</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>56,250</td>
</tr>
<tr>
<td>Health</td>
<td>44,500</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>44,500</td>
</tr>
<tr>
<td>Welfare</td>
<td>46,800</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>46,800</td>
</tr>
<tr>
<td>Culture and recreation</td>
<td>40,900</td>
<td>256,450</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>297,350</td>
</tr>
<tr>
<td>Education</td>
<td>509,150</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>511,520</td>
</tr>
<tr>
<td>Capital projects</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>1,625,500</td>
<td>—</td>
<td>1,625,500</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td>1,163,200</td>
<td>1,153,450</td>
<td>85,800</td>
<td>1,625,500</td>
<td>2,370</td>
<td>4,030,320</td>
</tr>
</tbody>
</table>

| Excess (deficiency) of revenues over expenditures | 115,300 | 17,675 | 7,562 | (371,750) | (2,220) | (233,433) | (541,624) |

<table>
<thead>
<tr>
<th>Other financing sources (uses):</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds of general obligation bonds</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>902,500</td>
<td>—</td>
<td>902,500</td>
</tr>
<tr>
<td>Operating transfers in</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>64,500</td>
<td>2,530</td>
<td>67,030</td>
</tr>
<tr>
<td>Operating transfers out</td>
<td>(74,500)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(47,500)</td>
<td>(87,000)</td>
</tr>
<tr>
<td><strong>Total other financing sources (uses)</strong></td>
<td>(74,500)</td>
<td>—</td>
<td>—</td>
<td>967,000</td>
<td>2,530</td>
<td>895,030</td>
</tr>
<tr>
<td>Excess (deficiency) of revenues and other financing sources over expenditures and other uses</td>
<td>40,800</td>
<td>17,675</td>
<td>7,562</td>
<td>595,250</td>
<td>310</td>
<td>661,597</td>
</tr>
</tbody>
</table>

| Fund balance at beginning of year    |        |        |        | 357,350 | 26,555 | 628,490 | 1,062,994 |
| Increase in reserve for inventory   | 1,500 | — | — | — | — | 1,500 | — |
| Fund balance at end of year          | 244,800 | 168,710 | 12,572 | 952,600 | 26,865 | 1,291,587 | 628,490 |

See accompanying notes to financial statements.
## NAME OF GOVERNMENT

**Illustrative Combined Statement of Revenues, Expenditures, and Changes in Fund Balances—Budget (GAAP Basis) and Actual—General, Special Revenue, and Capital Projects Fund Types**

### Year Ended December 31, 19X2

<table>
<thead>
<tr>
<th>Fund Types</th>
<th>General Fund</th>
<th>Special Revenue Fund Types</th>
<th>Capital Projects Fund Types</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Budget</td>
<td>Actual</td>
<td>Variance—favorable(unfavorable)</td>
</tr>
<tr>
<td><strong>Revenues:</strong></td>
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<td></td>
</tr>
<tr>
<td>Taxes (note 2)</td>
<td>$848,000</td>
<td>$846,800</td>
<td>$(1,200)</td>
</tr>
<tr>
<td>Licenses and permits</td>
<td>125,500</td>
<td>103,000</td>
<td>(22,500)</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>234,500</td>
<td>186,500</td>
<td>(48,000)</td>
</tr>
<tr>
<td>Charges for services</td>
<td>90,000</td>
<td>91,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Fines and forfeits</td>
<td>32,500</td>
<td>33,200</td>
<td>700</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>19,500</td>
<td>18,000</td>
<td>(1,500)</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>$1,350,000</td>
<td>$1,278,500</td>
<td>$(71,500)</td>
</tr>
<tr>
<td><strong>Expenditures:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General government</td>
<td>129,000</td>
<td>121,805</td>
<td>7,195</td>
</tr>
<tr>
<td>Public safety</td>
<td>277,300</td>
<td>258,395</td>
<td>18,905</td>
</tr>
<tr>
<td>Highways and streets</td>
<td>84,500</td>
<td>85,400</td>
<td>(900)</td>
</tr>
<tr>
<td>Sanitation</td>
<td>50,000</td>
<td>56,250</td>
<td>(6,250)</td>
</tr>
<tr>
<td>Health</td>
<td>47,750</td>
<td>44,500</td>
<td>3,250</td>
</tr>
<tr>
<td>Welfare</td>
<td>51,000</td>
<td>46,800</td>
<td>4,200</td>
</tr>
<tr>
<td>Culture and recreation</td>
<td>44,500</td>
<td>40,900</td>
<td>3,600</td>
</tr>
<tr>
<td>Education</td>
<td>541,450</td>
<td>509,150</td>
<td>32,300</td>
</tr>
<tr>
<td>Capital projects</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td>$1,225,500</td>
<td>$1,163,200</td>
<td>62,300</td>
</tr>
<tr>
<td>Excess (deficiency) of revenues over expenditures</td>
<td>124,500</td>
<td>115,300</td>
<td>(9,200)</td>
</tr>
<tr>
<td><strong>Other financing sources (uses):</strong></td>
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<td></td>
</tr>
<tr>
<td>Proceeds of general obligation bond issues</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating transfers in</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating transfers out</td>
<td>(74,500)</td>
<td>(74,500)</td>
<td></td>
</tr>
<tr>
<td><strong>Total other financing sources (uses)</strong></td>
<td>(74,500)</td>
<td>(74,500)</td>
<td></td>
</tr>
<tr>
<td>Excess (deficiency) of revenues and other sources over expenditures</td>
<td>(74,500)</td>
<td>(74,500)</td>
<td></td>
</tr>
<tr>
<td><strong>Fund balance at beginning of year</strong></td>
<td>$202,500</td>
<td>$202,500</td>
<td></td>
</tr>
<tr>
<td>Increase in reserve for inventory</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Fund balance at end of year</strong></td>
<td>$252,500</td>
<td>$244,800</td>
<td>(7,700)</td>
</tr>
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</table>

See accompanying notes to financial statements.
NAME OF GOVERNMENT

Illustrative Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Balances—All Proprietary Fund Types and Similar Trust Funds

Year Ended December 31, 19X2

<table>
<thead>
<tr>
<th>Proprietary Fund Types</th>
<th>Fiduciary Fund Types</th>
<th>Totals (Memorandum Only)</th>
</tr>
</thead>
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<tr>
<td></td>
<td>Enterprise</td>
<td>Internal</td>
</tr>
<tr>
<td>Operating revenues:</td>
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<td></td>
</tr>
<tr>
<td>Charges for services</td>
<td>672,150</td>
<td>88,000</td>
</tr>
<tr>
<td>Interest</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gifts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total operating revenues</td>
<td>672,150</td>
<td>88,000</td>
</tr>
<tr>
<td>Operating expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal services</td>
<td>247,450</td>
<td>32,500</td>
</tr>
<tr>
<td>Contractual services</td>
<td>75,330</td>
<td>400</td>
</tr>
<tr>
<td>Supplies</td>
<td>20,310</td>
<td>1,900</td>
</tr>
<tr>
<td>Materials</td>
<td>50,940</td>
<td>44,000</td>
</tr>
<tr>
<td>Heat, light, and power</td>
<td>26,050</td>
<td>1,500</td>
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<tr>
<td>Depreciation</td>
<td>144,100</td>
<td>4,450</td>
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<tr>
<td>Benefit payments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Refunds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>564,180</td>
<td>84,750</td>
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<tr>
<td>Operating income</td>
<td>107,970</td>
<td>3,250</td>
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<tr>
<td>Nonoperating revenues (expenses):</td>
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<td></td>
</tr>
<tr>
<td>Operating grants</td>
<td>55,000</td>
<td></td>
</tr>
<tr>
<td>Tap fees</td>
<td>22,000</td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>3,830</td>
<td></td>
</tr>
<tr>
<td>Rent</td>
<td>5,000</td>
<td></td>
</tr>
<tr>
<td>Interest and fiscal charges</td>
<td>(78,888)</td>
<td></td>
</tr>
<tr>
<td>Total nonoperating revenues (expenses)</td>
<td>6,942</td>
<td></td>
</tr>
<tr>
<td>Income before operating transfers</td>
<td>114,912</td>
<td>3,250</td>
</tr>
<tr>
<td>Operating transfers in (out)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>114,912</td>
<td>3,250</td>
</tr>
<tr>
<td>Retained earnings/fund balances at beginning of year</td>
<td>2,088,544</td>
<td>6,550</td>
</tr>
<tr>
<td>Retained earnings/fund balances at end of year</td>
<td>$2,203,456</td>
<td>$ 9,800</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
**NAME OF GOVERNMENT**

**Illustrative Combined Statement of Changes in Financial Position**
**All Proprietary Fund Types and Similar Trust Funds**

**Year Ended December 31, 19X2**

<table>
<thead>
<tr>
<th>Sources of working capital:</th>
<th>Proprietary Fund Types</th>
<th>Fiduciary Fund Types</th>
<th>Totals (Memorandum Only)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations:</td>
<td>Enterprise Service (note 7) Internal Pension Nonexpendable Trust</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>$ 114,912</td>
<td>$ 3,250</td>
<td>$142,401</td>
</tr>
<tr>
<td>Add back items not requiring working capital—Depreciation</td>
<td>144,100</td>
<td>4,450</td>
<td></td>
</tr>
<tr>
<td>Working capital provided by operations</td>
<td>259,012</td>
<td>7,700</td>
<td>142,401</td>
</tr>
<tr>
<td>Contributions by subdividers</td>
<td>650,666</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net decrease in restricted assets</td>
<td>110,515</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments maturing</td>
<td></td>
<td></td>
<td>25,000</td>
</tr>
<tr>
<td>Total sources of working capital</td>
<td>1,020,193</td>
<td>7,700</td>
<td>167,401</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Uses of working capital:</th>
<th>Proprietary Fund Types</th>
<th>Fiduciary Fund Types</th>
<th>Totals (Memorandum Only)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition of fixed assets</td>
<td>324,453</td>
<td>7,000</td>
<td></td>
</tr>
<tr>
<td>Decrease in long-term general obligation bonds payable</td>
<td>50,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease in long-term revenue bonds payable</td>
<td>48,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repayment of advance from General Fund</td>
<td></td>
<td></td>
<td>10,000</td>
</tr>
<tr>
<td>Net decrease in current liabilities payable from restricted assets</td>
<td>143,345</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of investments</td>
<td></td>
<td>145,360</td>
<td></td>
</tr>
<tr>
<td>Total uses of working capital</td>
<td>565,798</td>
<td>17,000</td>
<td>145,360</td>
</tr>
<tr>
<td>Net increase (decrease) in working capital</td>
<td>$ 454,395</td>
<td>$(9,300)</td>
<td>$ 22,041</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Elements of net increase (decrease) in working capital:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
</tr>
<tr>
<td>Investments</td>
</tr>
<tr>
<td>Receivables</td>
</tr>
<tr>
<td>Due from other funds</td>
</tr>
<tr>
<td>Inventory</td>
</tr>
<tr>
<td>Prepaid expenses</td>
</tr>
<tr>
<td>Vouchers payable</td>
</tr>
<tr>
<td>Contracts payable</td>
</tr>
<tr>
<td>Accrued general obligation bond interest</td>
</tr>
<tr>
<td>Other accrued expenses</td>
</tr>
<tr>
<td>Net increase (decrease) in working capital</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
NAME OF GOVERNMENT

Illustrative Notes to Financial Statements

December 31, 19X2

(1) Summary of Significant Accounting Policies

The Name of Government was incorporated January 17, 1917, under the provisions of Act 279, P.A. 1909, as amended (Home Rule City Act). The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, education, public improvements, planning and zoning, and general administrative services.

The accounting policies of the Name of Government conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

A. Fund Accounting

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into seven generic fund types and three broad fund categories as follows:

GOVERNMENTAL FUNDS

General Fund—The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds—Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds—Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds—Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds, and trust funds).

PROPRIETARY FUNDS

Enterprise Funds—Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises—where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis to be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds—Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis.

FIDUCIARY FUNDS

Trust and Agency Funds—Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include Expendable Trust, Nonexpendable Trust, Pension Trust, and Agency Funds. Nonexpendable Trust and Pension Trust Funds are accounted for in essentially the same manner as proprietary funds since capital maintenance is critical. Expendable Trust Funds are accounted for in essentially the same manner as governmental funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.
B. Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds and Expendable Trust Funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

The two account groups are not "funds." They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

Noncurrent portions of long-term receivables due to governmental funds are reported on their balance sheets, in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered "available spendable resources," since they do not represent net current assets. Recognition of governmental fund type revenues represented by noncurrent receivables is deferred until they become current receivables. Noncurrent portions of long-term loans receivable are offset by fund balance reserve accounts.

Special reporting treatments are also applied to governmental fund inventories to indicate that they do not represent "available spendable resources," even though they are a component of net current assets. Such amounts are generally offset by fund balance reserve accounts.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

All proprietary funds and Nonexpendable Trust and Pension Trust Funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

<table>
<thead>
<tr>
<th>Asset</th>
<th>Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>25-50 years</td>
</tr>
<tr>
<td>Improvements</td>
<td>10-20 years</td>
</tr>
<tr>
<td>Equipment</td>
<td>3-10 years</td>
</tr>
</tbody>
</table>

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.
All governmental funds and Expendable Trust Funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts, and sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued; and (2) principal and interest on general long-term debt which is recognized when due.

All proprietary funds and Nonexpendable Trust and Pension Trust Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Unbilled Water and Sewer Fund utility service receivables are recorded at year end.

D. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted at locations throughout the City to obtain taxpayer comments.

3. Prior to November 1, the budget is legally enacted through passage of an ordinance.

4. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Capital Projects Funds. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.

6. Budgets for the General, Special Revenue, and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Budgeted amounts are as originally adopted, or as amended by the City Council on June 27, 19X2. Individual amendments were not material in relation to the original appropriations which were amended.

E. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds, and Capital Projects Funds. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

F. Investments

Investments are stated at cost or amortized cost, which approximates market.

G. Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the General and Special Revenue Funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.
H. Advance to Other Funds
Noncurrent portions of long-term interfund loans receivable (reported in “Advance to” asset accounts) are equally offset by a fund balance reserve account which indicates that they do not constitute “available spendable resources” since they are not a component of net current assets. Current portions of long-term interfund loans receivable (reported in “Due from” asset accounts) are considered “available spendable resources.”

I. Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts
Accumulated unpaid vacation, sick pay, and other employee benefit amounts are accrued when incurred in proprietary funds (using the accrual basis of accounting). Such amounts are not accrued in governmental funds (using the modified accrual basis of accounting). At December 31, 19X2, unrecorded General and Special Revenue Fund liabilities included approximately $32,000 vacation pay, $17,000 sick pay, and $19,000 employee health benefits. These amounts do not exceed normal year’s accumulations.

J. Comparative Data
Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the City’s financial position and operations. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

K. Total Columns on Combined Statements—Overview
Total columns on the Combined Statements—Overview are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

(2) Property Tax
Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on March 1 and payable in two installments on June 1 and September 1. The City bills and collects its own property taxes and also taxes for the County School District. Collections of the county taxes and remittance of them to the District are accounted for in the School District Tax Agency Fund. City property tax revenues are recognized when levied to the extent that they result in current receivables.

The City is permitted by the Municipal Finance Law of the state to levy taxes up to $5.00 per $100 of assessed valuation for general governmental services other than the payment of principal and interest on long-term debt and in unlimited amounts for the payment of principal and interest on long-term debt. The combined tax rate to finance general governmental services other than the payment of principal and interest on long-term debt for the year ended December 31, 19X2, was $3.74 per $100, which means that the City has a tax margin of $1.26 per $100 and could raise up to $358,881 additional a year from the present assessed valuation of $28,482,600 before the limit is reached.

(3) Due from Other Governments
Amounts due from other governments include $625,000 due from the County in connection with the construction of the Civic Center, which is expected to cost $2,003,000, with $1,250,000 to be financed through a grant from the County ($625,000 of this amount was paid during 1978). The $625,000 still due from the County is expected to be received when the project is 50 percent complete. Construction is expected to be 50 percent complete by April 1, 19X3, and fully complete by November 1, 19X3.

(4) Changes in General Fixed Assets
A summary of changes in general fixed assets follows:

<table>
<thead>
<tr>
<th></th>
<th>Balance Jan. 1, 19X2</th>
<th>Additions</th>
<th>Deletions</th>
<th>Balance Dec. 31, 19X2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$1,225,000</td>
<td>$34,500</td>
<td>$</td>
<td>$1,259,500</td>
</tr>
<tr>
<td>Buildings</td>
<td>2,361,000</td>
<td>614,500</td>
<td>120,000</td>
<td>2,855,500</td>
</tr>
<tr>
<td>Improvements other than buildings</td>
<td>535,000</td>
<td>551,750</td>
<td>50,000</td>
<td>1,036,750</td>
</tr>
<tr>
<td>Equipment</td>
<td>375,600</td>
<td>91,000</td>
<td>14,100</td>
<td>452,500</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>677,650</td>
<td>1,625,500</td>
<td>994,150</td>
<td>1,309,000</td>
</tr>
<tr>
<td>Total</td>
<td>$5,174,250</td>
<td>$2,917,250</td>
<td>$1,178,250</td>
<td>$6,913,250</td>
</tr>
</tbody>
</table>
Construction in progress is composed of the following:

<table>
<thead>
<tr>
<th>Project</th>
<th>Expended to Dec. 31, 19X2</th>
<th>Committed</th>
<th>Required future financing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Civic Center</td>
<td>$2,000,000</td>
<td>$1,094,000</td>
<td>$ 906,000</td>
</tr>
<tr>
<td>Mill Street Bridge</td>
<td>250,000</td>
<td>215,000</td>
<td>35,000</td>
</tr>
<tr>
<td>Improvement District No. 80</td>
<td>200,000</td>
<td>117,100</td>
<td>82,900</td>
</tr>
<tr>
<td>Total</td>
<td>$2,450,000</td>
<td>$1,426,100</td>
<td>$1,023,900</td>
</tr>
</tbody>
</table>

A summary of proprietary fund type property, plant, and equipment at December 31, 19X2 follows:

<table>
<thead>
<tr>
<th></th>
<th>Enterprise</th>
<th>Internal Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$ 211,100</td>
<td>$ 20,000</td>
</tr>
<tr>
<td>Buildings</td>
<td>447,000</td>
<td>60,000</td>
</tr>
<tr>
<td>Improvements other than buildings</td>
<td>3,887,901</td>
<td>15,000</td>
</tr>
<tr>
<td>Equipment</td>
<td>1,841,145</td>
<td>25,000</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>22,713</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>6,410,559</td>
<td>120,000</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>640,800</td>
<td>16,900</td>
</tr>
<tr>
<td>Net</td>
<td>$5,769,759</td>
<td>$103,100</td>
</tr>
</tbody>
</table>

(5) **Changes in Long-Term Debt**

The following is a summary of bond transactions of the City for the year ended December 31, 19X2 (in thousands of dollars):

<table>
<thead>
<tr>
<th></th>
<th>General obligation</th>
<th>Revenue</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds payable at January 1, 19X2</td>
<td>$1,610</td>
<td>$1,898</td>
<td>$3,508</td>
</tr>
<tr>
<td>New bonds issued:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19X2 Civic Center</td>
<td>700</td>
<td>—</td>
<td>700</td>
</tr>
<tr>
<td>19X2 Richard Craddock Memorial Recreation Center</td>
<td>200</td>
<td>—</td>
<td>200</td>
</tr>
<tr>
<td>Bonds retired</td>
<td>(110)</td>
<td>(52)</td>
<td>(162)</td>
</tr>
<tr>
<td>Bonds payable at December 31, 19X2</td>
<td>$2,400</td>
<td>$1,846</td>
<td>$4,246</td>
</tr>
</tbody>
</table>

Bonds payable at December 31, 19X2 are comprised of the following individual issues (in thousands of dollars):

**General obligation bonds:**

$1,300,000 19W2 Waterworks serial bonds due in annual installments of $50,000 through January 1, 19Y6; interest at 4 percent (this issue is being serviced—principal and interest—by the Water and Sewer Enterprise Fund) $ 700

$1,400,000 19W2 Street, Bridge, and Drainage Improvements serial bonds due in annual installments of $60,000 to $80,000 through December 1, 19Y2; interest at 3 percent 800

$700,000 19X2 Civic Center serial bonds due in annual installments of $35,000 through December 1, 19Z2; interest at 4 percent 700

$200,000 19X2 Richard Craddock Memorial Recreation Center serial bonds due in annual installments of $10,000 through December 1, 19Z2; interest at 5 percent 200

**Revenue bonds:**

$1,180,000 Water and Sewer serial bonds due in annual installments of $30,000 to $60,000 through January 1, 19Z2; interest at 3½ percent $1,090

$820,000 19W8 Water and Sewer serial bonds due in annual installments of $18,000 to $45,000 through January 1, 19Z2; interest at 3½ percent 756

$1,846
The annual requirements to amortize all debt outstanding as of December 31, 19X2, including interest payments of $1,569,000, are as follows:

**Annual Requirements to Amortize Long-Term Debt**

**December 31, 19X2**

(in thousands of dollars)

<table>
<thead>
<tr>
<th>Year ending December 31</th>
<th>General obligation</th>
<th>Revenue</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>19X3</td>
<td>$ 265</td>
<td>$ 111</td>
<td>$ 376</td>
</tr>
<tr>
<td>19X4</td>
<td>258</td>
<td>113</td>
<td>371</td>
</tr>
<tr>
<td>19X5</td>
<td>252</td>
<td>115</td>
<td>367</td>
</tr>
<tr>
<td>19X6</td>
<td>246</td>
<td>127</td>
<td>373</td>
</tr>
<tr>
<td>19X7</td>
<td>240</td>
<td>134</td>
<td>374</td>
</tr>
<tr>
<td>19X8–Y2</td>
<td>1,105</td>
<td>709</td>
<td>1,814</td>
</tr>
<tr>
<td>19Y3–Y7</td>
<td>520</td>
<td>654</td>
<td>1,174</td>
</tr>
<tr>
<td>19Y8–Z2</td>
<td>255</td>
<td>562</td>
<td>817</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,141</strong></td>
<td><strong>$2,525</strong></td>
<td><strong>$5,666</strong></td>
</tr>
</tbody>
</table>

$12,572 is available in the Debt Service Funds to serve the general obligation bonds.

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

6. **Other Required Individual Fund Disclosures**

Generally accepted accounting principles require disclosure, as part of the Combined Statements—Overview, of certain information concerning individual funds including:

A. Segment information for certain individual Enterprise Funds. This requirement is effectively met in this report by The Combined Balance Sheet—All Fund Types and Account Groups, The Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Balances—All Proprietary Fund Types and Similar Trust Funds and the Combined Statement of Changes in Financial Position—All Proprietary Fund Types and Similar Trust Funds because the City maintains only one Enterprise Fund.

B. Summary disclosures of debt service requirements to maturity for all types of outstanding debt. This requirement is met by note 5.

C. Summary disclosures of changes in general fixed assets by major asset class. This requirement is met by note 4.

D. Summary disclosures of changes in general long-term debt. This requirement is met by note 5.

E. Excesses of expenditures over appropriations in individual funds. Civic Center Capital Projects Fund expenditures of $1,094,000 exceeded appropriations of $1,075,000. Mill Street Bridge Capital Projects Fund expenditures of $75,000 exceeded appropriations of $74,500.

F. Individual fund interfund receivable and payable balances. Such balances at December 31, 19X2 were:

<table>
<thead>
<tr>
<th>Fund</th>
<th>Interfund Receivables</th>
<th>Interfund Payables</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>$12,000</td>
<td>$24,189</td>
</tr>
<tr>
<td>Special Revenue Fund:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Parks Fund</td>
<td>2,000</td>
<td></td>
</tr>
<tr>
<td>Capital Projects Fund:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mill Street Bridge Fund</td>
<td>1,000</td>
<td></td>
</tr>
<tr>
<td>Enterprise Fund:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water and Sewer Fund</td>
<td>2,000</td>
<td></td>
</tr>
<tr>
<td>Internal Service Fund:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central Garage Fund</td>
<td>12,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Pension Trust Fund:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees’ Retirement System</td>
<td>10,189</td>
<td></td>
</tr>
<tr>
<td>Expendable Trust Fund:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Endowment Revenues Fund</td>
<td>1,000</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$37,189</strong></td>
<td><strong>$37,189</strong></td>
</tr>
</tbody>
</table>
(7) Retirement Commitments

The City sponsors and administers the Employees’ Retirement System. It is accounted for as a separate Pension Trust Fund. It covers all City elementary employees except the school teachers, who are eligible for the State Teachers Retirement System, and employees of the Enterprise and Internal Service Funds, who are members of the XYZ Union administered retirement system. The total pension contribution for the year was $89,243, which includes amortization of an unfunded accrued liability of $243,000 over a 17-year period. All administrative costs of the system are borne by the General Fund.

Changes in Fund Balance Reserve for Employees’ Retirement System during the year were as follows:

<table>
<thead>
<tr>
<th>Total Reserved Fund Balance</th>
<th>Fund Balance Reserved for Employee Contributions</th>
<th>Fund Balance Reserved for Employer Contributions</th>
<th>Fund Balance Reserved for Membership Annuities</th>
<th>Fund Balance Reserved for Undistributed Interest Earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, January 1, 19X2</td>
<td>$1,276,150</td>
<td>$461,725</td>
<td>$493,362</td>
<td>$319,496</td>
</tr>
<tr>
<td>Additions:</td>
<td></td>
<td></td>
<td></td>
<td>$$</td>
</tr>
<tr>
<td>Employee Contributions</td>
<td>64,274</td>
<td>64,274</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Employer Contributions</td>
<td>96,412</td>
<td>—</td>
<td>96,412</td>
<td>—</td>
</tr>
<tr>
<td>Interest Earnings</td>
<td>28,460</td>
<td>10,330</td>
<td>7,730</td>
<td>8,159</td>
</tr>
<tr>
<td>Total Balance and Additions</td>
<td>1,465,296</td>
<td>536,329</td>
<td>597,504</td>
<td>327,655</td>
</tr>
<tr>
<td>Transfers:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annuities Awarded</td>
<td>—</td>
<td>(3,547)</td>
<td>(10,639)</td>
<td>14,186</td>
</tr>
<tr>
<td>Actuarial Adjustments:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Annuities</td>
<td>—</td>
<td>—</td>
<td>1,287</td>
<td>(1,287)</td>
</tr>
<tr>
<td>Future Annuities</td>
<td>7,650</td>
<td>—</td>
<td>—</td>
<td>7,650</td>
</tr>
<tr>
<td>Total Revised Balances</td>
<td>1,472,946</td>
<td>532,782</td>
<td>595,802</td>
<td>340,554</td>
</tr>
<tr>
<td>Deductions:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenditures—Annuities</td>
<td>21,000</td>
<td>—</td>
<td>—</td>
<td>21,000</td>
</tr>
<tr>
<td>Refunds—Deaths</td>
<td>5,495</td>
<td>5,495</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Refunds—Resignations</td>
<td>20,250</td>
<td>20,250</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total Deductions</td>
<td>46,745</td>
<td>25,745</td>
<td>—</td>
<td>21,000</td>
</tr>
<tr>
<td>Balance, December 31, 19X2</td>
<td>$1,426,201</td>
<td>$507,037</td>
<td>$595,802</td>
<td>$319,554</td>
</tr>
</tbody>
</table>

The City also contributed $29,447 this year to the State Teachers Retirement System as its share of elementary school teachers’ contributions. The City has no further liability to this system. Future deficits would be financed by the data. Concerning the actuarial status of the system is not available.

The City also contributed $11,313 to the XYZ Retirement System, a union administered plan which covers all City employees paid from the Enterprise and Internal Service Funds. This is a defined contribution (money purchase) plan.

(8) Intergovernmental Revenues—Debt Service Funds

Under the provisions of state law, the state reimburses the City for a portion of the financing costs of various approved projects. Payments totaling $250,000 have been made through December 31, 19X2 including $41,500 in 19X2 for projects financed by the proceeds of the 19V5 Street, Bridge and Drainage Improvement bonds. These amounts must be used to abate a portion of the tax levied for principal and interest payments due on the approved project bonds. These reimbursements represent approximately 45 percent of the debt service on the 19V5 Street, Bridge and Drainage Improvement bonds and are expected to average approximately $40,000 annually until the bonds mature.

(9) Litigation

The City Council and the City are defendants in litigation seeking damages of $200,000 for violation of civil rights in a zoning decision. The suit alleges that the defendants conspired to down-zone property and refused to accept an application for a building permit by the plaintiff resulting in a violation of his civil rights. Outside counsel for the City is of the opinion that the defendants will prevail.

There are several other pending lawsuits in which the City is involved. The City Attorney estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial statements of the City.
(10) Commitments

Commitments under lease agreements for facilities and equipment provide for minimum annual rental payments as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Facilities</th>
<th>Equipment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>19X3</td>
<td>$50,000</td>
<td>$25,000</td>
<td>$75,000</td>
</tr>
<tr>
<td>19X4</td>
<td>50,000</td>
<td>25,000</td>
<td>75,000</td>
</tr>
<tr>
<td>19X5</td>
<td>50,000</td>
<td>25,000</td>
<td>75,000</td>
</tr>
<tr>
<td>19X6</td>
<td>50,000</td>
<td>25,000</td>
<td>75,000</td>
</tr>
<tr>
<td>19X7</td>
<td>50,000</td>
<td>25,000</td>
<td>75,000</td>
</tr>
<tr>
<td>Thereafter</td>
<td>135,000</td>
<td>—</td>
<td>135,000</td>
</tr>
<tr>
<td>Total</td>
<td>$385,000</td>
<td>$125,000</td>
<td>$510,000</td>
</tr>
</tbody>
</table>

19X2 rent expense was $75,000. Commitments under construction contracts are described in note 4.

(11) Contingent Liabilities

The City participates in a number of federally assisted grant programs, principal of which are the General Revenue Sharing, Community Development Block Grant, Comprehensive Employment Training Act, and Local Public Works programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs for or including the year ended December 31, 19X2 have not yet been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

(12) Subsequent Event

On February 13, 19X3, the City Council was officially notified that its application for a construction grant from the Environmental Protection Agency (EPA) was approved. Under the grant, the City is to construct a wastewater treatment plant at a total cost of approximately $2,450,000. EPA will finance 75 percent of the total cost, approximately $1,837,500, with the City financing the balance of $612,500 by issuing water and sewer revenue bonds. Construction is expected to commence in late 19X3 with completion currently scheduled for mid-19X5.
ILLUSTRATIVE REPORT OF THE INDEPENDENT AUDITOR

Independent Auditor’s Report

Date

We have audited the accompanying general purpose* financial statements of the Name of Government as of December 31, 19XX, and for the year then ended. These general purpose financial statements are the responsibility of the Name of Government’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Name of Government as of December 31, 19XX, and the results of its operations and changes in financial position of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Name of Government. The information in these schedules has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

[Signature]
[Date]

* If the financial statements are for a component unit, the term “general purpose financial statements” should not be used. In the case of a component unit other than the oversight unit, the term “component unit financial statements” or just “financial statements” should be used.
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