Disclosure checklists and illustrative financial statements for state and local governmental units: a financial reporting practice aid, November 1989 edition

American Institute of Certified Public Accountants. Technical Information Division

Susan Cornwall
Disclosure Checklist 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. 008516)

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Disclosure Checklist and Illustrative Financial Statements for State and Local Governmental Units (Product No. 008501)
Disclosure Checklist and Illustrative Financial Statements for State and Local Governmental Units
A FINANCIAL REPORTING PRACTICE AID

Edited by:
Susan Cornwall, CPA
Technical Manager
Technical Information Division

The Disclosure Checklist 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.
DISCLOSURE CHECKLIST AND ILLUSTRATIVE FINANCIAL STATEMENTS FOR STATE AND LOCAL GOVERNMENTAL UNITS

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

The checklist 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, this checklist and illustrative financial statements also are being made available for purchase by AICPA members subject to their recognition of the following:

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

o The checklist 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. 63, FASB Statement of Financial Accounting Standards No. 102, FASB Interpretation No. 38, and FASB Technical Bulletin No. 88-2. The checklist and illustrative financial statements should be modified, as appropriate, for subsequent pronouncements. To determine the applicability of a pronouncement, its effective date also should be considered.

o The checklist 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)" and subsequent GASB pronouncements, 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) as amended by AICPA Statement of Position 89-6, "Auditors' Reports in Audits of State and Local Governmental Units," also is required for proper implementation of the checklist.

o The checklist 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.
The checklist 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 the checklist 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).

The author wishes to acknowledge the assistance of her colleague, Moshe S. Levitin, CPA, who served as a consultant on this project.

John Graves
Director
Technical Services
# Disclosure Checklist and Illustrative Financial Statements for State and Local Governmental Units

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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 and are 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) submitting a detailed report on the study and evaluation of internal accounting controls, which is not required by the AICPA's generally accepted auditing standards; (c) stating the audit was performed in accordance with generally accepted government auditing standards.

In April 1989, the AICPA issued Statement on Auditing Standards 63, Compliance Auditing Applicable to Governmental Entities and Other Recipients of Governmental Financial Assistance, to be effective for fiscal periods beginning on or after January 1, 1990. This SAS provides the standards for reporting on compliance and an explanation of "compliance" as the term is used in conjunction with (1) generally accepted auditing standards (the AICPA); (2) generally accepted government auditing standards (the GAO); and (3) the Single Audit Act (the Act of 1984 and OMB's Circular A-128, which is the implementing regulation for the Act).

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 Checklist - General

Note 1: The checklist covers GAAP disclosures applicable to general purpose financial statements (GPFS) and does 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 to prepare 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 that 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 November 1, 1989 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 This checklist has been developed by the staff of the Technical Information Division of the AICPA as a nonauthoritative practice aid. Accordingly, the notice on page iii is incorporated herein by reference.

.02 Explanation of references:

GAGAS = 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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<tr>
<td>[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 audited 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 (AU 508.12); ASLGU, Ch. 18, par. 38]

   f. Indicate, in the scope section, the division of responsibility between that portion of the work they conducted and that conducted by others, and the magnitude of the audit work completed by others when the auditors decided to rely on the work of others, but do not take full responsibility for that work?
      [GAGAS, Ch. 3, p. 16]

   g. 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 (AU 508.08)]

b. Comparative financial statements?
   [SAS 58, par. 8 (AU 508.08); 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 (AU 508.83)]

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 (AU 508.74)]

c. Comparative financial statements with differing opinions on individual financial statements?
   [SAS 58, pars. 74-76 (AU 508.74-.76)]

d. 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]

e. Does the wording of the report contain a statement that the audit 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]

f. If the report is on one basic financial statement, does the report indicate that there are no scope limitations?
   [SAS 58, par. 47 (AU 508.47)]
g. Audited and unaudited financial statements in comparative form?  
[SAS 26, pars. 9 and 27 (AU 504.14-17)]

h. 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:

a. The auditor's opinion is based in part on the report of another auditor?  
[SAS 58, pars. 12 and 13 (AU 508.12-.13)]

b. 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 (AU 508.14-.15)]

c. 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 (AU 508.16-.33)]

d. There is a substantial doubt about the entity's ability to continue as a going concern?  
[SAS 59, par. 12 (AU 341.12)]

e. There has been a material change between periods in accounting principles or in the method of their application?  
[SAS 58, pars. 34-36 (AU 508.34-.36)]

f. 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 (AU 508.77-.78 and .81-.83)]
g. 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 (AU 558)]

h. Other information in a document containing audited financial statements is materially inconsistent with information appearing in the financial statements?

[SAS 8 (AU 550)]

i. A matter regarding the financial statements needs to be emphasized?

[SAS 58, par. 37 (AU 508.37)]

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 (AU 508.40-.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 audit 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]

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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)]

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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 58, pars. 49-66 (AU 508.49-.66); SAS 54, par. 18 (AU 317.18)]

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b. The reporting entity has included some, but not all, component units in the reporting entity financial statements?  
[ASLGU, Ch. 18, par. 33]

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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)

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

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(2) Does the explanatory paragraph disclose the effects on the financial statements, if reasonably determinable?  
[ASLGU, Ch. 18, par. 34]

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<td>12. If the auditor did not follow an applicable standard was the scope section of their report modified to disclose the applicable standard was not followed, the reasons therefor, and the known effect not following the standard had on the result of the audit? [GAGAS, Ch. 5, p. 1-2]</td>
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<td>13. 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]</td>
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<td>14. If the auditor has been engaged to audit 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 present financial position and results of operations of the reporting entity or component unit? [ASLGU, Ch. 18, par. 35]</td>
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<td>15. If the independent auditor was engaged to audit financial statements presented in conformity with neither GAAP nor any other comprehensive basis of accounting, was the standard form of report used and modified because of the departure from GAAP? [ASLGU, Ch. 18, par. 40]</td>
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<td>16. Where local or state governmental regulations require that larger CPA firms employ minority or smaller firms or both to participate in the audit, 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)]</td>
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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 (AU 508.39 and .71)]
      Yes  No  N/A

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

      (1) Qualified opinion?
          [SAS 58, pars. 38-66 (AU 508.38-.66)]
          Yes  No  N/A

      (2) Adverse opinion?
          [SAS 58, pars. 67-69 (AU 508.67-.69)]
          Yes  No  N/A

      (3) Disclaimer of opinion?
          [SAS 58, pars. 70-72 (AU 508.70-.72)]
          Yes  No  N/A

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 58, par. 42 (AU 508.42)]
      Yes  No  N/A

   b. Inadequate disclosure?
      [SAS 58, par. 55 (AU 508.55)]
      Yes  No  N/A

   c. Client representations about related party transactions?
      [SAS 45, par. 2 (AU 334.12)]
      Yes  No  N/A

   d. Client's refusal to provide written representation?
      [SAS 19, par. 11 (AU 333.11)]
      Yes  No  N/A

   e. Limitations on scope of lawyer's response?
      [SAS 12, pars. 12-14 (AU 337.12-.14)]
      Yes  No  N/A

   f. Unresolved matters involving specialists?
      [SAS 11, par. 9 (AU 336.09)]
      Yes  No  N/A

   g. Financial statements materially affected by an irregularity?
      [SAS 53, par. 26 (AU 316.26)]
      Yes  No  N/A

   h. Illegal acts by clients?
      [SAS 54 (AU 317)]
      Yes  No  N/A
i. 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 62, par. 14 (AU 623.14) SAS 58, par. 73 (AU 508.73)]

20. For Special Reports, have the provisions of SAS Nos. 35 and 62 been complied with regarding:
   a. Statements prepared in accordance with a comprehensive basis of accounting other than generally accepted accounting principles? 
[SAS 62, pars. 2-8 (AU 623.02-.08)]
   b. Specified elements, accounts or items of a financial statement?
[SAS 62, pars. 11-18 (AU 623.11-.18); SAS 35 (AU 622)]
   c. Compliance with aspects of agreements or regulatory requirements relating to audited financial statements?
[SAS 62, pars. 19-21 (AU 623.19-.21)]
   d. Financial presentations to comply with contractual or regulatory provisions?
[SAS 62, pars. 22-30 (AU 623.22-.30)]
   e. Financial information that requires a prescribed form of auditor's report?
[SAS 62, pars. 32-33 (AU 623.32-.33)]

21. Was additional explanatory language added to the Special Report in the following situations?
   a. If there has been a lack of consistency in accounting principles was an explanatory paragraph added to the report, following the opinion paragraph, that describes the
change and refers to the note to the financial presentation (or specified elements, accounts, or items thereof) that discusses the change and its effect thereon?

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b. If 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, did the auditor add an explanatory paragraph after the opinion paragraph if the uncertainties are considered relevent to the presentation?

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c. If the auditor has substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time not to exceed one year beyond the date of the financial statements did the auditor add an explanatory paragraph after the opinion paragraph of the report only if the auditor's substantial doubt is relevant to the presentation?

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d. When the auditor decides to make reference to the report of another auditor as a basis, in part, for his or her opinion did he or she disclose that fact in the introductory paragraph of the report and refer to the report of the other auditors in expressing his or her opinion?

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e. If the auditor expresses an opinion on prior-period financial statements (or specified elements, accounts, or items thereof, that is different from the opinion he or she previously expressed on that same information did he or she disclose all of the substantive reasons for the different opinion in a separate explanatory paragraph preceding the opinion paragraph of the report?  

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[SAS 62, par. 31 (AU 623.31)]

22. 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? [SAS 62, par. 9 (AU 623.09)]

23. Do the notes include a summary of significant accounting policies that discusses the basis of presentation and describes how that basis differs from generally accepted accounting principles? [SAS 62, par. 9 (AU 623.09)]

24. When the financial statements prepared on an other comprehensive basis of accounting contain items that are the same or similar to those in financial statements prepared in conformity with generally accepted accounting principles were similar disclosures made? [SAS 62, par. 10 (AU 623.10)]

25. Were disclosures made related to matters that are not specifically identified on the face of the financial statements, such as, (a) related party transactions, (b) restrictions on assets and owners' equity, (c) subsequent events, and (d) uncertainties? [SAS 62, par. 10 (AU 623.10)]

26. Does the report on compliance with laws and regulations cover the auditor's tests of compliance with laws and regulations and include all significant instances of noncompliance and abuse? [GAGAS, Ch. 5, p. 2 and Ch. 7, p. 7]

27. Does the compliance report contain:
   a. A statement of positive assurance for those items which were tested for compliance and negative assurance on those items not tested? [GAGAS, Ch. 5, p. 2 and Ch. 7, p. 7; SAS 63, par. 18 (AU 801.18)]
   b. 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; SAS 63, par. 21 (AU 801.21)]

28. Does the report on compliance with laws and regulations conform to the provisions of SAS 63, par. 21? [SAS 63, par. 21 (AU 801.21)]
29. When the financial audit did not require tests of compliance with laws and regulations, did the report contain a statement that the auditor did not test for compliance with laws and regulations? [GAGAS, Ch. 5, p. 3]  

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30. If the auditing procedures disclosed material instances of noncompliance, have the statements of positive and negative assurance been modified? [SAS 63, par. 24 (AU 801.24)]  

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31. Does the qualified report include:
   a. The definition of material instances of noncompliance?  
   b. An identification of material instances of noncompliance noted?  
   c. A statement that the noncompliance noted was considered in forming an opinion on whether the entity's financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles? [SAS 63, par. 24 (AU 801.24)]  

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32. If the report contains material instances of noncompliance, is a statement included about whether the misstatements have been corrected or a statement describing the effect of such misstatements on his or her report on the basic financial statements? [SAS 63, par. 25 (AU 801.25)]  

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33. If the report contains immaterial instances of noncompliance are they reported in a separate communication to the audited entity? [SAS 63, par. 27 (AU 801.27)]  

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34. If a separate letter describing immaterial instances of noncompliance has been issued, is the report that was prepared in accordance with paragraphs 21, 23 or 24 of SAS 63 modified to include a statement such as the following, "We noted certain immaterial instances of noncompliance that we have reported to the management of [name of entity] in a separate letter dated August 15, 19X1"? [SAS 63, par. 27 (AU 801.27)]  

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35. 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]  

36. Does the report on the internal control structure include, as a minimum:  
   a. The scope of the auditor's work in obtaining an understanding of the internal control structure and in assessing the control risk?  
   b. 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?  
   c. 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, pp. 5-6 and Ch. 7, pp. 5-6]  

37. Does the report on the internal control structure comply to the provisions of SAS 63, par. 37?  
   [SAS 63, par. 37 (AU 801.37)]  

38. If no reportable conditions were noted during the audit was a report in accordance with SAS 63, par. 39 issued?  
   [SAS 63, par. 39 (AU 801.39)]  

39. 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)]  

40. If an entity falls under the Single Audit Act, for major programs, does the report on compliance with specific requirements comply with the provisions of SAS 63, par. 73?  
[SAS 63, par. 73 (AU 801.73)]  

41. If restrictions on the scope of an audit on compliance require the auditor to qualify or disclaim his or her opinion, are the reasons for such qualification or disclaimer described in the auditor's report?  
[SAS 63, par. 75 (AU 801.75)]  

42. If the auditor is disclaiming his or her opinion due to a scope limitation:
a. Were the reasons indicated, in a separate paragraph, why the audit did not comply with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, or OMB Circular A-128?  

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b. Did the auditor state that the scope of his or her audit was not sufficient to warrant the expression of an opinion?  

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c. Did the auditor disclose any reservations he or she had regarding compliance with applicable laws and reservations?  

[SAS 63, par. 77 (AU 801.77)]  

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43. If an auditor expresses a qualified or adverse opinion due to noncompliance with requirements governing a major federal financial assistance program did the auditor state the basis for such an opinion in the report?  

[SAS 63, par. 78 (AU 801.78)]  

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44. If an entity falls under the Single Audit Act, for major programs, does the report on compliance with general requirements comply with the provisions of SAS 63, par. 83?  

[SAS 63, par. 83 (AU 801.63)]  

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45. If an entity falls under the Single Audit Act, for nonmajor programs does the report on compliance comply with the provisions of SAS 63, par. 87 (AU 801.87)?  

[SAS 63, par. 87 (AU 801.87)]  

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46. 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]  

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47. 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]  

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48. If the auditor is not able to follow an applicable standard and is not able to withdraw from an engagement, did the auditor disclose in the scope section of their report,
the fact that an applicable standard was not followed, the reasons therefor, and the known effect not following the standard had on the results of the audit?
[GAGAS, Ch. 3, p. 10]

49. Was the determination that certain standards do not apply to the audit documented in the working papers?
[GAGAS, Ch. 3, p. 10]

50. Does the auditor's report disclose the status of known but uncorrected significant or material findings and recommendations from prior audits that effect the current audit objective?
[GAGAS, Ch. 3, p. 16]

51. Does the auditor's report disclose audit scope impairments in the scope section of their report and the known effect it had on the results of the audit?
[GAGAS, Ch. 3, p. 17]
Financial Section - Financial Statements

.01 This checklist has been developed by the staff of the Technical Information division of the AICPA as a nonauthoritative practice aid. Accordingly, the notice on page iii 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 FASB¹
(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 Residual Equity and Operating Transfers
F. Related Party Transactions
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 Cash Flows—
All Proprietary Fund Types (and Similar Trust Funds)

A. Title
B. Format and Policy
C. Classification of Cash Receipts and Cash Payments
D. Content and Form
E. Noncash Investing, Capital, and Financing Activities

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
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)]

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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)]

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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)]

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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)]

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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)]

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

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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)]

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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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k. 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].

l. The policy with regard to expenditure recognition of inventories; purchases or consumption method? [GASB 1, Sec.1600.122a (GASB Cod. Sec. 1600.122a)]

m. Policy with regard to vacation and sick leave? [GASB 1, Sec.C60 (GASB Cod. Sec. C60)]

n. Policy with regard to investments? [GASB 3, (GASB Cod. Sec. I50)]

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? [APB 9, par. 26 (AC A35.107)]
   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? [APB 9, par. 27 (AC A35.108)]
   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?
[GASB 1, Sec. C50.115 (GASB Cod. Sec. C50.115)]

3. For loss contingencies not accrued, do disclosures indicate:
   a. Nature of contingency?  
   [SFAS 5, par. 10 (AC C59.109 and C59.111); GASB 1, Sec. 1500.110 (GASB Cod. Sec. 1500.110)]

   b. Estimate of possible loss or range of loss, or a statement that such estimate cannot be made?

4. Are guarantees of the entity, even if the possibility of default is remote, disclosed in the financial statements?
   [ASLGU Ch. 11 par. 28]

5. If the entity is assuming a moral obligation, is this disclosed in the financial statements?
   [ASLGU Ch. 11 par. 28]

6. With respect to no-commitment debt, is its existence disclosed in the financial statements?
   [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)?
   [ASGLU Ch. 11 par. 28]

   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?

   c. The nature of any variable components of the obligation?
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); FASBI 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.
560.05-.07, 560.09 and 561.01-.09 (AU 560.05-.07, 560.09 and 561-.01-.09); GASB 1, Secs. 1500.110 and GASB 6 par. 13 (GASB Cod. Sec. 1500.110); GASB 1, Sec. 2300.104d (GASB Cod. Sec. 2300.104d))

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?
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?

[SFAS 57, pars. 2-4 (AC R36.102-.104)
SAS 45, pars. 11 (AU 334.11-12)]

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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?

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

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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?

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

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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?

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

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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
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?
[GASB 6, 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]  
   Yes | No | N/A

3. Are restrictions on cash and investments appropriately disclosed?  
   [SFAS 5, pars. 18–19 (AC C59.120)]  
   Yes | No | N/A

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]  
      Yes | No | N/A
   b. Is disclosure made of the method used to allocate income from investment or pooled cash?  
      [ASLGU, Chap. 7, par. 9]  
      Yes | No | N/A

5. Was the need to record losses due to a permanent decline in value considered?  
   [ASLGU, Chap. 7, par. 9]  
   Yes | No | N/A

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]  
   Yes | No | N/A

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)]  
      Yes | No | N/A
   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?  

[SFAS 12, par. 12 (AC I89.106b)]

(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 I89.106b)]

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 I89.106c)]

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 I89.105)]
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)

Yes ☐ No ☐ N/A ☐

[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?

Yes ☐ No ☐ N/A ☐

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

Yes ☐ No ☐ N/A ☐

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

Yes ☐ No ☐ N/A ☐

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

Yes ☐ No ☐ N/A ☐

[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

Yes ☐ No ☐ N/A ☐
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?  

\[\text{[GASB 3, par. 78 (GASB Cod. Sec. R10.110)]}\]

(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?  

\[\text{[GASB 3, par. 79 (GASB Cod. Sec. R10.111)]}\]

(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?  

\[\text{[GASB 3, par. 80 (GASB Cod. Sec. R10.112)]}\]

C. Notes and Accounts Receivable

1. Are notes or accounts receivable due from affiliated enterprises disclosed separately?  

\[\text{[ARB 43, Ch. 1A, par. 5 (AC R36.105)]}\]

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?  
      \[\text{[APB 21, par. 16 (AC I69.109)]}\]

   b. Does the disclosure include the effective interest rate and face amount of the note?  
      \[\text{[APB 21, par. 16 (AC I69.109)]}\]
c. Is amortization of discount or premium reported as interest expense in the operating statement? [APB 21, par. 16 (AC I69.109)]

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)]

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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)]
b. Changes in fixed assets by the various classes?
   [GASB 1, Sec. 2200.106b(4)(a)]
   [GASB Cod. Sec. 2200.106b(4)(a)]

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c. The basis of donated fixed assets, which should be estimated fair market value at date of acquisition?
   [GASB 1, Sec. 1400.113 (GASB Cod. Sec. 1400.113)]

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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?
   [GASB 1, Sec. 1400.118 (GASB Cod. Sec. 1400.118)]

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e. A general description of the method or methods used in computing depreciation in the GFAAG with respect to major classes of depreciable assets?
   [APB 12, par. 5 (AC D40.105d)]

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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)]

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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?

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   b. Has this policy been consistently applied?

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

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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) ]

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

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

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H. Liabilities

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

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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?

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Yes  No  N/A

Changes in the amount of long-term obligations?  

The amount of unpaid debt that has been defeased?  

Debt incurred subsequent to the balance sheet date but before the financial statements are issued?  

An existing or anticipated inability to pay debt when due?  
[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?  
[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?  
[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?  

b. Method of accounting for outstanding encumbrances at year-end?  

c. Disclosure of contingent liabilities?  
[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)]

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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]

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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)]

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9. Do current liabilities exclude short-term obligations that the entity intends 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)]

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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?
      [SFAS 6, par. 15 (AC B05.118); FASBI 8, par. 3 (AC B05.117); TB 79-3 (AC B05.501-.503)]
   b. Terms of any new obligation incurred 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?

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? [GASBI 1, par. 10 (GASB Cod. Sec. D30.108)]

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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Yes  No  N/A

[15b]

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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Yes  No  N/A

[15c]

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

---  ---  ---

Yes  No  N/A

[15d]

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?

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Yes  No  N/A

[15e]

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?

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Yes  No  N/A

[15f]

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 record-
ed 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?

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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?

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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?

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

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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?
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 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?  

   b. Total of future minimum rentals under noncancelable subleases as of the date of the latest balance sheet presented?  

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

      [SFAS 13, par. 16b (AC L10.112b)]  

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?  

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

   c. Restrictive covenants?  

      [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]
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); ASLGU, 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)]
4. Are the public employee retirement systems (PERS) considered to be part of the reporting entity?  
   [GASB 1, Sec. Pe5.120 (GASB Cod. Sec. Pe5.120)]

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?  
   [GASB 1, Sec. Pe5.120 (GASB Cod. Sec. Pe5.120)]

6. Is the employer reporting for the PERS in conformity with the specific requirements for multi-employers plans?  
   [GASB 4, par. 8 (GASB Cod. Sec. P20.103)]

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?  
   [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)]

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?  
   [GASB 4, par. 10 and GASB 5, par. 4 (GASB Cod. Sec. P20.106)]

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?  
   [GASB 4, par. 10, footnote 1 (GASB Cod. Sec. P20.106)]
10. Indicate whether the employer has changed from one actuarial cost method to another during the period or fiscal period involved?
   [GASB 4, par. 10, footnote 1 (GASB Cod. Sec. P20.106)]

K. General Long-Term Debt

1. Are long-term liabilities of proprietary funds and trust funds accounted for through those funds?
   [GASB 1, Sec. 1500.101; (GASB Cod. Sec. 1500.101); GASB 1, Sec. 1500.102 as amended by GASB 6, par. 13 (GASB Cod. Sec. 1500.102)]

2. Are other unmatured general long-term liabilities of the governmental unit accounted for through the General Long-Term Debt Account Group (GLTDAG)?
   [GASB 1, Sec. 1500.101 (GASB Cod. Sec. 1500.101); GASB 1, Sec. 1500.103; GASB 6, par. 17 and GASBI 1, par. 10 (GASB Cod. Sec. 1500.103)]

3. Have the individual components of long-term debt been classified appropriately as term bonds, serial bonds, and other general long-term liabilities?
   [GASB 1, Sec. 1500.105 [(GASB Cod. Sec. 1500.105)]

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?
   [GASB 7, par. 9 (GASB Cod. Sec. D.20.109)]

L. Fund Balance

1. Is there a disclosure made of any deficit fund balance or deficit retained earnings of individual funds?
   [GASB 1, Sec. 2300.104o (GASB Cod. Sec. 2300.104o)]
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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# COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—ALL GOVERNMENTAL FUND TYPES (AND SIMILAR TRUST FUNDS)

## A. General

<table>
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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)]

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]

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)]

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)]

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)]

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)]

2. If the governmental entity desires to exclude some property tax revenues from appropriation to protect cash
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
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)?
   [GASB 1, Sec. 2300.105L (GASB Cod. Sec. 2300.105L); GASB 1, Sec. G60.103 (GASB Cod. Sec. G60.103)]

2. Has the basis of recording grants, entitlements or shared revenues been disclosed in the notes to financial statements?
   [GASB 1, Sec. 2300.105L (GASB Cod. Sec. 2300.105L)]

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?
   [GASB 1, Sec. G60.109 (GASB Cod. Sec. G60.109); GASB 1, Sec. 2300.105L (GASB Cod. Sec. 2300.105L)]

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?
   [GASB 1, Sec. G60.109 (GASB Cod. Sec. G60.109)]
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 recorded 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 related 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 requirements 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 transactions 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?

Yes No N/A

I. Transfers

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

Yes No N/A

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

Yes No N/A

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?

Yes No N/A

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

Yes No N/A

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?

Yes No N/A
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)]
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?  
   [SFAS 4, par. 9 (AC D14.107)]
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 30, 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 I17.119)]

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?

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

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?  

[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?  

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)?  

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

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)]

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)]

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)]

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)]

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)]

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)]
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 CASH FLOWS -- ALL PROPRIETARY FUND TYPES
(AND SIMILAR TRUST FUNDS)

A. Title

1. Is the statement titled "Combined Statement of Cash Flows"?
   [GASB 9, par. 6]

B. Format and Policy

1. Is a statement of cash flows presented for each period for which results of operations are presented?
   [GASB 9, par. 6]

2. Does the statement of cash flows report the cash effects during the reported period of the entity's operations, its noncapital financing transactions, its capital and related financing transactions, and its investing transactions?
   [GASB 9, pars. 7 and 15]
3. Is related information reported on investing, capital, and financing transactions that affect the entity's financial position but do not directly affect cash flows during the period?  
   [GASB 9, par. 7]  
   Yes No N/A

4. Was a reconciliation of operating income (or net income if operating income is not separately identified on the operating statement) to net cash flow from operating activities provided about the net effects of operating transactions and other events that affect operating income and operating cash flows in different periods?  
   [GASB 9, par. 7]  
   Yes No N/A

5. Does the statement of cash flows explain the changes in cash and cash equivalents regardless of whether there are restrictions on their use?  
   [GASB 9, par. 8]  
   Yes No N/A

6. Does the statement use a descriptive term such as cash or cash and cash equivalents rather than the term funds?  
   [GASB 9, par. 8]  
   Yes No N/A

7. Did the entity disclose its policy concerning which short-term highly liquid investments it will treat as cash equivalents?  
   [GASB 9, par. 11]  
   Yes No N/A

8. If there was a change in policy was it considered a change in accounting principle reported by restating financial statements for earlier years presented for comparative purposes?  
   [GASB 9, par. 11]  
   Yes No N/A

C. Classification of cash receipts and cash payments

1. Are cash receipts and cash payments for the following transactions classified as cash flows from operating activities:
   
a. Cash inflows from sales of goods or services?  
   Yes No N/A

b. Cash receipts from quasi-external operating transactions with other funds?  
   Yes No N/A
<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
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</thead>
<tbody>
<tr>
<td>c. Cash receipts from grants for specific activities that are considered to be operating activities of the grantor government?</td>
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<td></td>
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<tr>
<td>d. Cash receipts from other funds for reimbursement of operating transactions?</td>
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<tr>
<td>e. Cash payments to acquire materials for providing services and manufacturing goods for resale?</td>
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<tr>
<td>f. Cash payments to other suppliers for other goods or services?</td>
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<tr>
<td>g. Cash payments to employees for services?</td>
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<tr>
<td>h. Cash payments for grants to other governments or organizations for specific activities that are considered to be operating activities of the grantor government?</td>
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<tr>
<td>i. Cash payments for taxes, duties, fines, and other fees or penalties?</td>
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<tr>
<td>j. Cash payments for quasi-external operating transactions with other funds, including payments in lieu of taxes?</td>
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<tr>
<td>k. All other cash receipts and payments that do not result from transactions defined as capital and related financing, non-capital financing, or investing activities?</td>
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</tbody>
</table>

[GASB 9, pars. 17-18]

2. Are transactions of loan programs undertaken to fulfill a governmental responsibility classified as transactions from operating activities?  
   [GASB 9, par. 19]

3. Are cash receipts and payments for the following transactions classified as cash flows from noncapital financing activities:

   a. Proceeds from issuing bonds, notes, and other short- or long-term borrowing not clearly attributable to acquisition, construction, or improvement of capital assets?
b. Cash receipts from grants or subsidies except those specifically restricted for capital purposes and those for specific activities that are considered to be operating activities of the grantor government?

---

Yes No N/A

---

c. Cash received from other funds except those amounts that are clearly attributable to acquisition, construction, or improvement of capital assets, quasi-external operating transactions, and reimbursement for operating transactions?

---

---

d. Cash received from property and other taxes collected for the governmental enterprise and not specifically restricted for capital purposes?

---

---

e. Repayments of amounts borrowed for purposes other than acquiring, constructing, or improving capital assets?

---

---

f. Interest payments to lenders and other creditors on amounts borrowed or credit extended for purposes other than acquiring, constructing, or improving capital assets?

---

---

g. Cash paid as grants or subsidies to other governments or organizations, except those for specific activities that are considered to be operating activities of the grantor government?

---

---

h. Cash paid to other funds, except for quasi-external operating transactions?

---

---

[GASB 9, pars. 21-22]

4. Are cash receipts and cash payments for the following transactions classified as cash flows from capital and related financing activities:

a. Proceeds from issuing or refunding bonds, mortgages, notes, and other short- or long-term borrowing clearly attributable to the acquisition, construction, or improvement of capital assets?

---

---

b. Receipts from capital grants awarded to the governmental enterprise?

---

---
c. Receipts from contributions made by other funds, other governments, and other organizations or individuals for the specific purpose of defraying the cost of acquiring, constructing, or improving capital assets?  

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

d. Receipts from sales of capital assets; also, proceeds from insurance on capital assets that are stolen or destroyed?  

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

e. Receipts from special assessments or property and other taxes levied specifically to finance the construction, acquisition, or improvement of capital assets?  

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
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<tbody>
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f. Payments to acquire, construct, or improve capital assets?  

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

g. Repayments or refundings of amounts borrowed specifically to acquire, construct, or improve capital assets?  

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

h. Other principal payments to vendors who have extended credit to the governmental enterprise directly for purposes of acquiring, constructing, or improving capital assets?  

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

i. Cash payments to lenders and other creditors for interest directly related to acquiring, constructing, or improving capital assets?  

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
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[GASB 9, pars. 24-25]  

5. Are cash receipts and cash payments for the following transactions classified as cash flows from investing activities?  

a. Receipts from collections of loans (except programs loans) made by the governmental enterprise and sales of other entities' debt instruments (other than cash equivalents) that were purchased by the governmental enterprise?  

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

b. Receipts from sales of equity instruments and from returns of investment in those instruments?  

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<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
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</tbody>
</table>
c. Interest and dividends received as returns on loans (except program loans), debt instruments of other entities, equity securities, and cash management of investment pools?

   Yes  No  N/A

   ____  ____  ____

d. Withdrawals from investment pools that the governmental enterprise is not using as demand accounts?

   ____  ____  ____

e. Disbursements for loans (except program loans) made by the governmental enterprise and payments to acquire debt instruments of other entities (other than cash equivalents)?

   ____  ____  ____

f. Payments to acquire equity instruments?

   ____  ____  ____

g. Deposits into investment pools that the governmental enterprise is not using as demand accounts?

   ____  ____  ____

[GASB 9, pars. 27-28]

D. Content and Form

1. Does the statement of cash flows report net cash provided or used in each of the four categories, as well as the net effect of those flows on cash and cash equivalents during the period in a manner that reconciles beginning and ending cash and cash equivalents?

   Yes  No  N/A

   ____  ____  ____

   [GASB 9, par. 30]

2. In reporting cash flows from operating activities were major classes of gross cash receipts and gross cash payments and their arithmetic sum, the net cash flow from operating activities (the direct method), reported?

   Yes  No  N/A

   ____  ____  ____

   [GASB 9, par. 31]

3. If yes were the following classes of operating cash receipts and payments separately reported?

   a. Cash receipts from customers?

      ____  ____  ____

   b. Cash receipts from quasi-external operating transactions with other funds?

      ____  ____  ____

   c. Other operating cash receipts, if any?

      ____  ____  ____

   d. Cash payments to other suppliers of goods or services?

      ____  ____  ____
e. Cash payments to employees for services? [Yes] [No] [N/A]

f. Cash payments for quasi-external operating transactions with other funds, including payments in lieu of taxes? [Yes] [No] [N/A]

g. Other operating cash payments, if any? [GASB 9, par. 31] [Yes] [No] [N/A]

4. Were net cash flows from operating activities reported indirectly by adjusting operating income (or net income if operating is not separately identified on the operating statement) to reconcile it to net cash flow from operating activities? [GASB 9, par. 32] [Yes] [No] [N/A]

a. If yes was the following done:

(1) Was operating income adjusted to remove the effects of depreciation, amortization, and other deferrals of past operating cash receipts and payments, such as changes during the period in inventory, deferred revenue, and the like, and all accruals of expected future operating cash receipts and payments, such as changes during the period in receivables and payables? [GASB 9, par. 32] [Yes] [No] [N/A]

(2) If the reconciliation was to net income rather than operating income, was the effects of all items whose cash effects were capital and related financing, noncapital financing, or investing cash flows removed? [GASB 9, par. 32] [Yes] [No] [N/A]

5. Was a reconciliation of operating income (or net income if operating income is not separately identified on the operating statement) to net cash flow from operating activities provided regardless of whether the direct or indirect method of reporting net cash flow from operating activities was used? [GASB 9, par. 33] [Yes] [No] [N/A]

6. Did the reconciliation separately report all major classes of reconciling items, at a minimum, changes during the period in receivables
pertaining to operating activities, in inventory, and in payables pertaining to operating activities?  
[GASB 9, par. 33]  

7. If the direct method was used was the reconciliation of operating income (or net income if operating income is not separately identified on the operating statement) to net cash flow from operating activities provided in a separate schedule?  
[GASB 9, par. 34]  

8. If the indirect method was used was the reconciliation reported within the operating activities section of the statement of cash flows or provided in a separate schedule?  
[GASB 9, par. 33]  

9. If the reconciliation was presented within the operating activities section of the statement of cash flows, were all the adjustments to operating income (or net income if operating income is not separately identified on the operating statement) to determine cash flow from operating activities clearly identified as reconciling items?  
[GASB 9, par. 34]  

E. Noncash Investing, Capital, and Financing Activities  

1. Was information about all investing, capital, and financing activities of a governmental enterprise during a period that affected recognized assets or liabilities but did not result in cash receipts or cash payments for the period reported?  
[GASB 9, par. 37]  

2. Was the information presented in a separate schedule (narrative or tabular)?  
[GASB 9, par. 37]  

3. Did it clearly describe the cash and noncash aspects of transactions involving similar items?  
[GASB 9, par. 37]
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:

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

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.)

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

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?

---

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?

---

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

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

4. Contributions Required and Contributions Made

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

---

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?

---

(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

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

         Yes  No  N/A

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

   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-

(i) 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?

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

Yes No N/A

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?

[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.)

Yes No N/A

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

Yes No N/A

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?

Yes No N/A

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?

[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?

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?

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)?*

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

* 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?

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)?

[F 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?

[F 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?

[F 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 conve-
nience, 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)]

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**H. Unfunded Pension Arrangements - Defined Benefit Pension Information**

If the defined benefit pension arrange-
ment is not being funded and no contri-
butions 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)]

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**I. Reporting by Nonemployer Contributors - Defined Benefit Pension Information**

Have the following disclosures been considered for each nonemployer con-
tributor:

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

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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?

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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 IE?

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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)]

   Yes  No  N/A

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)]

   Yes  No  N/A

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)]

   Yes  No  N/A

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?

      Yes  No  N/A

      (2) Types of employees covered and current membership?

      Yes  No  N/A
(3) A brief statement about plan provisions, including the authority under which those provisions are determined, and employee eligibility requirements, including eligibility for vesting?

   Yes  No  N/A

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

   Yes  No  N/A


(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?)

   Yes  No  N/A

(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?

   Yes  No  N/A

(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.)

[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?

(b) Amount of the employer's current-year covered payroll and its total current-year payroll for all employees?

(c) Employer and employee obligations to contribute and the authority under which those obligations are established;

* These disclosures are also required to be made by nonemployer contributors, as discussed in GASB 5, par. 12 (GASB Cod. Sec. P20.121). Employers that are not legally responsible for making contributions to a defined contribution plan but whose employees are covered by a plan because of contributions made by another entity, as described in GASB 5, par. 11 (GASB Cod. Sec. P20.120), should make the disclosures required by GASB 5, par. 41 (GASB Cod. Sec. P20.129).

[GASB 5, footnote 18 (GASB Cod. Sec. P20.134, ft. 18)]
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?  
[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?  
[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?  
[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?  
[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?  
[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?  
[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?  
   [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?  
      [GASB 6, par. 27 (GASB Cod. Sec. Appendix C)]

      b. Accounting policies of the client relative to equity method investments?  
      [GASB 6, par. 27 (GASB Cod. Sec. Appendix C)]

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

      d. The aggregate market value of each identified investment for which a market value is available?  
      [GASB 6, par. 27 (GASB Cod. Sec. Appendix C)]
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)]

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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)]

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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? __ __ __

(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? | Yes | No | N/A |
   | 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?  ___  ___  ___

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)]

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

Illustrative Combined Balance Sheet—All Fund Types and Account Groups

December 31, 19X2

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<th>Governmental Fund Types</th>
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</table>
## Liabilities

<table>
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<tr>
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<th>$ XX,XXX</th>
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</thead>
<tbody>
<tr>
<td>Vouchers and accounts payable</td>
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<tr>
<td>Contracts payable</td>
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<tr>
<td>Judgments payable</td>
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<td>Other accrued expenses</td>
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<tr>
<td>Payable from restricted assets:</td>
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<tr>
<td>Construction contracts</td>
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<tr>
<td>Fiscal agent</td>
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<tr>
<td>Matured revenue bonds</td>
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<td>Matured revenue bond interest</td>
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<tr>
<td>Revenue bonds</td>
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<tr>
<td>Deposits</td>
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<td>Due to:</td>
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<tr>
<td>Other taxing units</td>
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<td>Other funds</td>
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<tr>
<td>Deferred revenues</td>
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<tr>
<td>Advance from General Fund</td>
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<tr>
<td>General obligation bonds payable</td>
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<tr>
<td>Revenue bonds payable</td>
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<tr>
<td>Total liabilities</td>
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<td>$XX,XXX</td>
<td>$X,XXX</td>
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<td>$X,XXX</td>
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<td>$XXX,XXX</td>
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</table>

## Fund Equity

<table>
<thead>
<tr>
<th>Fund Equity</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Contributed capital</td>
<td></td>
<td></td>
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<tr>
<td>Investment in general fixed assets</td>
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<tr>
<td>Retained earnings:</td>
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<tr>
<td>Reserved for revenue bond retirement</td>
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<tr>
<td>Unreserved</td>
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<td>Fund balance:</td>
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<tr>
<td>Reserved for encumbrances</td>
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<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Reserved for inventory</td>
<td>X,XXX</td>
<td>X,XXX</td>
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<td>—</td>
<td>XX,XXX</td>
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</tr>
<tr>
<td>Reserved for advance to Internal Service Fund</td>
<td>XX,XXX</td>
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<td>—</td>
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<td>XX,XXX</td>
<td>XX,XXX</td>
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<tr>
<td>Reserved for loans</td>
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<td>Reserved for endowments</td>
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<tr>
<td>Reserved for employees' retirement system</td>
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<tr>
<td>Reserved for debt service</td>
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<tr>
<td>Unreserved:</td>
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<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Designated for subsequent years' expenditures</td>
<td>XX,XXX</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Undesignated</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>—</td>
<td>XX,XXX</td>
<td>—</td>
<td>(XXX,XXX)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(XXX,XXX)</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Total retained earnings/ fund balance</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>X,XXX</td>
<td>X,XXX</td>
<td>—</td>
<td>—</td>
<td>X,XXX</td>
<td>X,XXX</td>
</tr>
<tr>
<td>Total fund equity</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
<td>$XX,XXX</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
<td>—</td>
<td>—</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</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>Governmental Fund Types</th>
<th>Fiduciary Fund Type</th>
<th>Totals (Memorandum Only)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>General</td>
<td>Special</td>
<td>Debt</td>
</tr>
<tr>
<td>Taxes and special assessments</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
<td>$XX,XXX</td>
</tr>
<tr>
<td>Licenses and permits</td>
<td>XX,XXX</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Charges for services</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>—</td>
</tr>
<tr>
<td>Fines and forfeits</td>
<td>XX,XXX</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>XX,XXX</td>
<td>—</td>
<td>XX,XXX</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>$XX,XXX,XXX</td>
<td>$XX,XXX</td>
<td>XX,XXX,XXX</td>
</tr>
</tbody>
</table>

| Expenditures: | | | | | | | | |
| General government | XXX,XXX | — | — | — | — | XXX,XXX | XXX,XXX |
| Public safety | XXX,XXX | XXX,XXX | — | — | — | XXX,XXX,XXX | XXX,XXX,XXX |
| Highways and streets | XX,XXX | XXX,XXX | — | — | — | XXX,XXX,XXX | XXX,XXX,XXX |
| Sanitation | XX,XXX | — | — | — | — | XXX,XXX | XXX,XXX |
| Health | XX,XXX | — | — | — | — | XXX,XXX | XXX,XXX |
| Welfare | XX,XXX | — | — | — | — | XXX,XXX,XXX | XXX,XXX,XXX |
| Culture and recreation | XX,XXX | XXX,XXX | — | — | — | XXX,XXX,XXX | XXX,XXX,XXX |
| Education | XX,XXX | — | — | X,XXX | — | XXX,XXX,XXX | XXX,XXX,XXX |
| Capital projects | — | — | — | — | — | XXX,XXX,XXX | XXX,XXX,XXX |
| Debt service: | | | | | | | | |
| Principal retirement | — | — | XX,XXX | — | — | XXX,XXX | XXX,XXX |
| Interest and fiscal charges | — | — | — | — | — | XXX,XXX,XXX | XXX,XXX,XXX |
| **Total expenditures** | $XX,XXX,XXX | $XX,XXX | XX,XXX,XXX | XX,XXX | — | XX,XXX,XXX | XX,XXX,XXX |
| **Excess (deficiency) of revenues over expenditures** | XXX,XXX | XX,XXX | X,XXX | (XXX,XXX) | (X,XXX) | (XXX,XXX) | (XXX,XXX) |
| Other financing sources (uses): | | | | | | | | |
| Proceeds of general obligation bonds | — | — | — | — | — | XXX,XXX | XXX,XXX |
| Operating transfers in | — | — | — | — | — | XXX,XXX | XXX,XXX |
| Operating transfers out | (XX,XXX) | — | — | — | — | XXX,XXX | XXX,XXX |
| **Total other financing sources (uses)** | (XX,XXX) | — | — | — | — | XXX,XXX | XXX,XXX |
| **Excess (deficiency) of revenues and other financing sources over expenditures and other uses** | XXX,XXX | XX,XXX | X,XXX | XXX,XXX | XXX | XXX,XXX | (XXX,XXX) |

| Fund balance at beginning of year | XXX,XXX | XXX,XXX | X,XXX | XXX,XXX | XXX | XXX,XXX | X,XXX |
| Increase in reserve for inventory | X,XXX | — | — | — | — | XXX | — |
| **Fund balance at end of year** | $XXX,XXX | $XXX,XXX | $XX,XXX | $XXX,XXX | $XX,XXX | $XXX,XXX | $XXX,XXX |

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>General Fund</th>
<th>Special Revenue Fund Types</th>
<th>Capital Projects Fund Types</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td><strong>Expenditures:</strong></td>
<td><strong>Variance—favorable</strong> (unfavorable)</td>
</tr>
<tr>
<td><strong>Budget</strong></td>
<td><strong>Actual</strong></td>
<td><strong>Budget</strong></td>
</tr>
<tr>
<td>Taxes $XXX,XXX</td>
<td>$XXX,XXX</td>
<td>$(X,XXX)</td>
</tr>
<tr>
<td>Licenses and permits $XXX,XXX</td>
<td>$XXX,XXX</td>
<td>$(X,XXX)</td>
</tr>
<tr>
<td>Intergovernmental $XXX,XXX</td>
<td>$XXX,XXX</td>
<td>$(X,XXX)</td>
</tr>
<tr>
<td>Charges for services $XXX,XXX</td>
<td>$XXX,XXX</td>
<td>X,XXX</td>
</tr>
<tr>
<td>Fines and forfeits $XXX,XXX</td>
<td>$XXX,XXX</td>
<td>X,XXX</td>
</tr>
<tr>
<td>Miscellaneous $XXX,XXX</td>
<td>$XXX,XXX</td>
<td>X,XXX</td>
</tr>
<tr>
<td><strong>Total revenues</strong> $X,XXX,XXX</td>
<td>X,XXX,XXX</td>
<td>$(X,XXX)</td>
</tr>
<tr>
<td><strong>Expenditures:</strong></td>
<td><strong>Excess (deficiency) of revenues over expenditures</strong></td>
<td><strong>Variance—favorable</strong> (unfavorable)</td>
</tr>
<tr>
<td><strong>General government</strong> $XXX,XXX</td>
<td>X,XXX</td>
<td>X,XXX</td>
</tr>
<tr>
<td><strong>Public safety</strong> $XXX,XXX</td>
<td>X,XXX</td>
<td>X,XXX</td>
</tr>
<tr>
<td><strong>Highways and streets</strong> $XXX,XXX</td>
<td>X,XXX</td>
<td>X,XXX</td>
</tr>
<tr>
<td><strong>Sanitation</strong> $XXX,XXX</td>
<td>X,XXX</td>
<td>X,XXX</td>
</tr>
<tr>
<td><strong>Health</strong> $XXX,XXX</td>
<td>X,XXX</td>
<td>X,XXX</td>
</tr>
<tr>
<td><strong>Welfare</strong> $XXX,XXX</td>
<td>X,XXX</td>
<td>X,XXX</td>
</tr>
<tr>
<td><strong>Culture and recreation</strong> $XXX,XXX</td>
<td>X,XXX</td>
<td>X,XXX</td>
</tr>
<tr>
<td><strong>Education</strong> $XXX,XXX</td>
<td>X,XXX</td>
<td>X,XXX</td>
</tr>
<tr>
<td><strong>Capital projects</strong> $XXX,XXX</td>
<td>$XXX,XXX</td>
<td>X,XXX</td>
</tr>
<tr>
<td><strong>Total expenditures</strong> $X,XXX,XXX</td>
<td>X,XXX,XXX</td>
<td>X,XXX,XXX</td>
</tr>
<tr>
<td><strong>Excess (deficiency) of revenues over expenditures</strong> $XXX,XXX</td>
<td>X,XXX</td>
<td>X,XXX</td>
</tr>
<tr>
<td><strong>Other financing sources (uses):</strong></td>
<td><strong>Variance—favorable</strong> (unfavorable)</td>
<td></td>
</tr>
<tr>
<td><strong>Proceeds of general obligation bond issues</strong> —</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Operating transfers in</strong> —</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Operating transfers out</strong> $(X,XXX)</td>
<td>$(X,XXX)</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total other financing sources (uses)</strong> $(X,XXX)</td>
<td>$(X,XXX)</td>
<td>—</td>
</tr>
<tr>
<td><strong>Excess (deficiency) of revenues and other sources over expenditures and other uses</strong> $XXX,XXX</td>
<td>X,XXX,XXX</td>
<td>$(X,XXX)</td>
</tr>
<tr>
<td><strong>Fund balance at beginning of year</strong> $XXX,XXX</td>
<td>$XXX,XXX</td>
<td>—</td>
</tr>
<tr>
<td><strong>Increase in reserve for inventory</strong> —</td>
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<td>—</td>
</tr>
<tr>
<td><strong>Fund balance at end of year</strong> $XXX,XXX</td>
<td>$XXX,XXX</td>
<td>$(X,XXX)</td>
</tr>
</tbody>
</table>

*See accompanying notes to financial statements.*
LOCAL GOVERNMENTS
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>Total (Memorandum Only)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Enterprise Service</td>
<td>Pension Trust</td>
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<tr>
<td>Operating revenues:</td>
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</tr>
<tr>
<td>Charge for services</td>
<td>$ XXX,XXX</td>
<td>$XX,XXX</td>
</tr>
<tr>
<td>Interest</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Contributions</td>
<td>—</td>
<td>—</td>
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<tr>
<td>Gifts</td>
<td>—</td>
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<tr>
<td>Total operating revenues</td>
<td>XXX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Operating expenses:</td>
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<td></td>
</tr>
<tr>
<td>Personal services</td>
<td>XXX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Contractual services</td>
<td>XX,XXX</td>
<td>X,XXX</td>
</tr>
<tr>
<td>Supplies</td>
<td>XX,XXX</td>
<td>X,XXX</td>
</tr>
<tr>
<td>Materials</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Heat, light, and power</td>
<td>XX,XXX</td>
<td>X,XXX</td>
</tr>
<tr>
<td>Depreciation</td>
<td>XXX,XXX</td>
<td>X,XXX</td>
</tr>
<tr>
<td>Benefit payments</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Refunds</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>XXX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Operating income</td>
<td>XXX,XXX</td>
<td>X,XXX</td>
</tr>
<tr>
<td>Nonoperating revenues (expenses):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating grants</td>
<td>XX,XXX</td>
<td>—</td>
</tr>
<tr>
<td>Tap fees</td>
<td>XX,XXX</td>
<td>—</td>
</tr>
<tr>
<td>Interest</td>
<td>X,XXX</td>
<td>—</td>
</tr>
<tr>
<td>Rent</td>
<td>X,XXX</td>
<td>—</td>
</tr>
<tr>
<td>Interest and fiscal charges</td>
<td>(XX,XXX)</td>
<td>—</td>
</tr>
<tr>
<td>Total nonoperating revenues (expenses)</td>
<td>X,XXX</td>
<td>—</td>
</tr>
<tr>
<td>Income before operating transfers</td>
<td>XXX,XXX</td>
<td>X,XXX</td>
</tr>
<tr>
<td>Operating transfers in (out)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net income</td>
<td>XXX,XXX</td>
<td>X,XXX</td>
</tr>
<tr>
<td>Retained earnings/fund balances at beginning of year</td>
<td>X,XXX,XXX</td>
<td>X,XXX</td>
</tr>
<tr>
<td>Retained earnings/fund balances at end of year</td>
<td>$XXX,XXX</td>
<td>$X,XXX</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
NAME OF GOVERNMENT

Illustrative Combined Statement of Cash Flows—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>Total (Memorandum Only)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Enterprise</td>
<td>Internal Service</td>
</tr>
<tr>
<td>Cash flows from operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash received from customers</td>
<td>$ XXX,XXX</td>
<td>$ XX,XXX</td>
</tr>
<tr>
<td>Cash payments to suppliers for goods and services</td>
<td>(XXX,XXX)</td>
<td>(XX,XXX)</td>
</tr>
<tr>
<td>Cash payments to employees for services</td>
<td>(XXX,XXX)</td>
<td>(XX,XXX)</td>
</tr>
<tr>
<td>Payments in lieu of taxes</td>
<td>(XX,XXX)</td>
<td>—</td>
</tr>
<tr>
<td>Other operating revenues</td>
<td>XX,XXX</td>
<td>—</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>XXX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Cash flows from noncapital financing activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net borrowings (repayments) under revolving loan agreement</td>
<td>$XX,XXX</td>
<td>—</td>
</tr>
<tr>
<td>Interest paid on revolving loan</td>
<td>(XX,XXX)</td>
<td>—</td>
</tr>
<tr>
<td>Operating grants received</td>
<td>XXX,XXX</td>
<td>—</td>
</tr>
<tr>
<td>Operating transfers-out to other funds</td>
<td>(XX,XXX)</td>
<td>—</td>
</tr>
<tr>
<td>Net cash provided by noncapital financing activities</td>
<td>X,XXX</td>
<td>—</td>
</tr>
<tr>
<td>Cash flows from capital and related financing activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sale of revenue bonds</td>
<td>$ XXX,XXX</td>
<td>—</td>
</tr>
<tr>
<td>Acquisition and construction of capital assets</td>
<td>(XXX,XXX)</td>
<td>(XX,XXX)</td>
</tr>
<tr>
<td>Principal paid on revenue bond maturities and equipment contracts</td>
<td>(XX,XXX)</td>
<td>—</td>
</tr>
<tr>
<td>Interest paid on revenue bonds and equipment contracts</td>
<td>(XX,XXX)</td>
<td>—</td>
</tr>
<tr>
<td>Proceeds from sale of equipment</td>
<td>XX,XXX</td>
<td>—</td>
</tr>
<tr>
<td>Capital contributed by subdivider</td>
<td>XX,XXX</td>
<td>—</td>
</tr>
<tr>
<td>Net cash provided for capital and related financing activities</td>
<td>(XXX,XXX)</td>
<td>(XX,XXX)</td>
</tr>
<tr>
<td>Cash flows from investing activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of investment securities</td>
<td>$(XXX,XXX)</td>
<td>—</td>
</tr>
<tr>
<td>Proceeds from sale and maturities of investment securities</td>
<td>XX,XXX</td>
<td>—</td>
</tr>
<tr>
<td>Interest and dividends on investments</td>
<td>X,XXX</td>
<td>—</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(XX,XXX)</td>
<td>—</td>
</tr>
<tr>
<td>Net increase (decrease) in cash and cash equivalents</td>
<td>(XX,XXX)</td>
<td>(XX,XXX)</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of year</td>
<td>XXX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of year</td>
<td>$ XXX,XXX</td>
<td>$ XX,XXX</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.

* [Editor's Note: Not required by GASB No. 9.]
Reconciliation of operating income to net cash provided by operating activities:

<table>
<thead>
<tr>
<th></th>
<th>Proprietary Fund Types</th>
<th>Fiduciary Fund Types</th>
<th>Total (Memorandum Only)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Enterprise</td>
<td>Internal Service</td>
<td>Pension Trust *</td>
</tr>
<tr>
<td>Operating income</td>
<td>$ XXX,XXX</td>
<td>$ X,XXX</td>
<td>$ XXX,XXX</td>
</tr>
<tr>
<td>Adjustments to reconcile operating income to net cash provided by operating activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>XXX,XXX</td>
<td>X,XXX</td>
<td></td>
</tr>
<tr>
<td>Change in assets and liabilities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>—</td>
<td>—</td>
<td>(X,XXX)</td>
</tr>
<tr>
<td>Receivables</td>
<td>(XX,XXX)</td>
<td>(X,XXX)</td>
<td></td>
</tr>
<tr>
<td>Due from other funds</td>
<td>(X,XXX)</td>
<td>(X,XXX)</td>
<td>X,XXX</td>
</tr>
<tr>
<td>Inventory</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td></td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>XXX</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vouchers payable</td>
<td>(XX,XXX)</td>
<td>X,XXX</td>
<td>X,XXX</td>
</tr>
<tr>
<td>Contracts payable</td>
<td>XXX,XXX</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued general obligation bond interest</td>
<td></td>
<td>X,XXX</td>
<td></td>
</tr>
<tr>
<td>Other accrued expenses</td>
<td>X,XXX</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total adjustments</td>
<td>XXX,XXX</td>
<td>X,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Net cash provided by operating activities:</td>
<td>$ XXX,XXX</td>
<td>$ X,XXX</td>
<td>$ XXX,XXX</td>
</tr>
</tbody>
</table>

* [Editor's Note: Not required by GASB No. 9.]*
NAME OF GOVERNMENT

Illustrative Notes to Financial Statements

December 31, 19X2

(1) Summary of Significant Accounting Policies

The Name of Government accounts for its financial position and results of operations in accordance with generally accepted accounting principles applicable to governmental units. Accordingly, the city uses several funds and account groups which are described below.

A. Fund Types and Account Groups

A fund or account group is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The City maintains the following fund types and account groups:

Governmental fund types, that include the General Fund, special revenue funds and the Capital Projects Fund, are used to record the general operations of the City;

Proprietary fund types, that are used to account for activities conducted on a fee for service basis in a manner similar to commercial enterprises, provide services to the City (internal service funds) and the public (enterprise funds);

Fiduciary fund types (trust and agency funds), that are used to account for assets held by the City as an agent for private individuals or organizations or in trust;

General fixed assets and general long-term obligation account groups, that are used to account for property and equipment and long-term obligations of governmental funds. General long-term bonded debt was repaid through the General Fund, because it was the City’s policy to allocate property tax collections first to debt service requirements, then to other purposes.

The combined financial statements include total columns that aggregate the financial statements of the various fund types and account groups. The columns are designated “memorandum only” because the totals are not comparable to a consolidation in that interfund transactions are not eliminated. Comparative information presented for 19X1 contains certain reclassifications to conform to the 19X2 presentation.

B. Reporting Entity

All significant activities and organizations on which the City exercises oversight responsibility have been included in the City’s general purpose financial statements, for the year ended December 31, 19X2. The following criteria regarding manifestation of oversight were considered by the City in its evaluation of City organizations and activities:

Financial interdependency—The City is responsible for its debts and is entitled to surpluses. No separate agency receives a financial benefit nor imposes a financial burden on the City.

Election of the government authority—The locally elected City Council is exclusively responsible for all public decisions and accountable for the decisions it makes.

Designation of management—The City Council appoints the City Manager and the Water Commissioner. The City Manager hires other members of City management and the Water Commissioner appoints a Water Commission manager who hires other members of the Water Commission management. The activities under the purview of management are within the scope of the reporting entity and management is accountable to the City Council for the activities being managed.
Ability to significantly influence operations—The City Council has the statutory authority under the provisions of the Revised Statutes to significantly influence operations. This authority includes, but is not limited to, adoption of the budget, control over all assets, including facilities and properties, short-term borrowing, signing contracts, and developing the programs to be provided.

Accountability of fiscal matters—The responsibility and accountability over all funds is vested in the City management.

C. Basis of accounting

Governmental fund types, agency funds and the expendable trust fund use a modified accrual basis of accounting. Revenues are recognized when available and measurable. Revenues that are accrued include federal and state grants and subventions, property taxes, transient occupancy taxes, sales taxes collected by the State on behalf of the City prior to year-end, interest, and certain charges for current services. Revenues that are not considered susceptible to accrual include certain licenses, permits, fines, forfeitures, penalties and other taxes. Expenditures, other than interest on long-term debt, are recorded when the liability is incurred.

Proprietary fund types and the nonexpendable trust fund are accounted for on the accrual basis. The Water and Wastewater Enterprise Funds bill for services on a staggered, bimonthly basis. This billing method does not capture all amounts receivable by the City at the end of each fiscal year. The unbilled amounts and the variance between such amounts at December 31, 19X2 and 19X1 are not material and have not been recorded.

D. 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,” because 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 also are 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 generally are 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. Because they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They instead are 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>Item</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>

E. 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).

7. 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.

F. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded 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 because they do not constitute expenditures or liabilities.
G. Investments

Investments are stated at cost or amortized cost, which approximates market.

H. 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.

I. 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” because 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.”

J. 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.

K. Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements 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 because their inclusion would make the statements unduly complex and difficult to read.

L. Statement of Cash Flows

In 19X2 the City adopted GASB Statement 9, “Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.” For purposes of reporting cash flows all highly liquid investments (including restricted assets) with a maturity of three months or less are considered to be cash equivalents.

(2) Cash and Investments

Cash and investments stated at cost consisted of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$ (XXX,XXX)</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>XX,XXX,XXX</td>
</tr>
<tr>
<td>Pooled investments</td>
<td>XX,XXX,XXX</td>
</tr>
<tr>
<td>Cash and investments in deferred compensation plan</td>
<td>X,XXX,XXX</td>
</tr>
</tbody>
</table>

The City maintains a cash and investment pool for all funds except those of the Civic Center Lease Trust Fund and certain restricted assets of the Parking Authority Enterprise Fund, that are held separately at the Bank of America as trustee for the City, and the Deferred Compensation Fund that are held by ICMA Retirement Corporation (ICMA). Investment income generally is allocated to the various funds based upon the funds’ average cash and investment balances.

All cash and time deposits are entirely insured or collateralized. The name of state Government Code requires name of state banks and savings and loan associations to secure a City’s deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of a City’s deposits. Name of state law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of a City’s total deposits.

The City may waive collateral requirements for deposits that are fully insured up to $100,000 by the Federal Deposit Insurance Corporation (FDIC) or Savings Association Insurance Fund (SAIF).
The surplus funds of the City may be invested in any of the following list of eligible securities. This list is drawn from the approved investments contained in the [name of state] Government Code Sections 53600 et seq., limited further by the investment policy adopted by City Council.

<table>
<thead>
<tr>
<th>Type</th>
<th>Dollar limits</th>
<th>Maximum term</th>
<th>Liquid</th>
</tr>
</thead>
<tbody>
<tr>
<td>General instruments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local Agency Investment Fund (LAIF)</td>
<td>$10 million</td>
<td>Available on demand</td>
<td>Yes</td>
</tr>
<tr>
<td>U.S. Treasury Bonds, Notes and Bills</td>
<td>None</td>
<td>5 years</td>
<td>Yes</td>
</tr>
<tr>
<td>U.S. Government Agencies</td>
<td>None</td>
<td>5 years</td>
<td>Yes</td>
</tr>
<tr>
<td>Collateralized investments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reverse Repurchase Agreements</td>
<td>$15 million</td>
<td>6 months</td>
<td>By agreement</td>
</tr>
<tr>
<td>Time Deposits—Banks and Savings Associations</td>
<td>$15 million</td>
<td>1 year</td>
<td>No</td>
</tr>
<tr>
<td>Financial options</td>
<td>$15 million</td>
<td>60 days</td>
<td>Yes</td>
</tr>
<tr>
<td>Uncollateralized instruments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Negotiable Certificates of Deposit</td>
<td>30% of total portfolio</td>
<td>5 years</td>
<td>Yes</td>
</tr>
<tr>
<td>Certain Corporate Medium Term Notes</td>
<td>15% of total portfolio</td>
<td>5 years</td>
<td>Yes</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>30% of total portfolio</td>
<td>90 days</td>
<td>Yes</td>
</tr>
<tr>
<td>Bankers Acceptances</td>
<td>30% of total portfolio</td>
<td>180 days</td>
<td>Yes</td>
</tr>
</tbody>
</table>

At year end, the carrying amount of the City’s investments was $XXX,XXX,XXX with a market value of $XXX,XXX,XXX.

The City’s investments are shown by type, carrying amount, market value and level of risk assumed in the holding of the various securities.

The levels of risk assumed in the various investments are categorized as follows:

**Category 1**: includes investments that are insured or registered or for which the securities are held by the City of its agent in the City’s name.

**Category 2**: includes uninsured and unregistered investments for which the securities are held by the bank’s or dealer’s trust department or agent in the City’s name.

**Category 3**: includes uninsured and unregistered investments for which the securities are held by the bank or dealer, or by its trust department or agent but not in the City’s name.

<table>
<thead>
<tr>
<th>Category</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>Total cost</th>
<th>Total market</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Government Securities</td>
<td>$</td>
<td>$XX,XXX,XXX</td>
<td>$XX,XXX,XXX</td>
<td>$XX,XXX,XXX</td>
<td>$XX,XXX,XXX</td>
</tr>
<tr>
<td>Bankers’ Acceptances</td>
<td>—</td>
<td>X,XXX,XXX</td>
<td>—</td>
<td>X,XXX,XXX</td>
<td>X,XXX,XXX</td>
</tr>
<tr>
<td>Certificates of Deposit</td>
<td>X,XXX,XXX</td>
<td>XX,XXX,XXX</td>
<td>X,XXX,XXX</td>
<td>XX,XXX,XXX</td>
<td>XX,XXX,XXX</td>
</tr>
<tr>
<td>Corporate Term Medium Notes</td>
<td>—</td>
<td>X,XXX,XXX</td>
<td>—</td>
<td>X,XXX,XXX</td>
<td>X,XXX,XXX</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>—</td>
<td>XX,XXX,XXX</td>
<td>—</td>
<td>XX,XXX,XXX</td>
<td>XX,XXX,XXX</td>
</tr>
<tr>
<td>Investment in State Treasurer’s investment pool</td>
<td>X,XXX,XXX</td>
<td>X,XXX,XXX</td>
<td>—</td>
<td>$XXX,XXX,XXX</td>
<td>$XXX,XXX,XXX</td>
</tr>
</tbody>
</table>

**Reverse Repurchase Agreement**

On December 1, 19X2 the City entered into a reverse repurchase agreement with First Interstate Bank. In this agreement the City put up a $X,XXX,XXX U.S. Treasury note with a coupon rate of interest of 6.375% as collateral for a loan of $X,XXX,XXX at 6.5% for thirty days. The loan proceeds were used to purchase a $X,XXX,XXX Imperial Savings Certificate with an interest rate of 7.1% which matures on January 1, 19X3.
(3) **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 $XXX,XXX additional a year from the present assessed valuation of $XXX,XXX before the limit is reached.

(4) **Due from Other Governments**

Amounts due from other governments include $XXX,XXX due from the County in connection with the construction of the Civic Center, which is expected to cost $X,XXX,XXX, with $X,XXX,XXX to be financed through a grant from the County ($XXX,XXX of this amount was paid during 19X8). The $XXX,XXX 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.

(5) **Changes in General Fixed Assets**

A summary of changes in general fixed assets follows:

<table>
<thead>
<tr>
<th>Balance</th>
<th>Additions</th>
<th>Deletions</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan. 1, 19X2</td>
<td>Additions</td>
<td>Deletions</td>
<td>Dec. 31, 19X2</td>
</tr>
<tr>
<td>Land</td>
<td>$X,XXX,XXX</td>
<td>$XX,XXX</td>
<td>$ —</td>
</tr>
<tr>
<td>Buildings</td>
<td>X,XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Improvements other than buildings</td>
<td>xxx,xxx</td>
<td>XXX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Equipment</td>
<td>XXX,xxx</td>
<td>XX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>XXX,xxx</td>
<td>XX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Total</td>
<td>$X,XXX,XXX</td>
<td>$X,XXX,XXX</td>
<td>$X,XXX,XXX</td>
</tr>
</tbody>
</table>

Construction in progress is composed of the following:

<table>
<thead>
<tr>
<th>Project</th>
<th>Authorized</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>$X,XXX,XXX</td>
<td>$X,XXX,XXX</td>
<td>$XX,XXX</td>
<td>None</td>
</tr>
<tr>
<td>Mill Street Bridge</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XX,XXX</td>
<td>None</td>
</tr>
<tr>
<td>Improvement District No. 80</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XX,XXX</td>
<td>None</td>
</tr>
<tr>
<td>Total</td>
<td>$X,XXX,XXX</td>
<td>$X,XXX,XXX</td>
<td>$X,XXX,XXX</td>
<td>None</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>$XXX,XXX</td>
<td>$XX,XXX</td>
</tr>
<tr>
<td>Buildings</td>
<td>XXX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Improvements other than buildings</td>
<td>X,XXX,XX1</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Equipment</td>
<td>X,XXX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>XX,XXX</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>X,XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>(XXX,XXX)</td>
<td>(XX,XXX)</td>
</tr>
<tr>
<td>Net</td>
<td>$X,XXX,XXX</td>
<td>$XXX,XXX</td>
</tr>
</tbody>
</table>

(6) 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>$X,XXX</td>
<td>$X,XXX</td>
<td>$X,XXX</td>
</tr>
<tr>
<td>New bonds issued:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19X2 Civic Center</td>
<td>XXX</td>
<td>—</td>
<td>XXX</td>
</tr>
<tr>
<td>19X2 Richard Craddock Memorial Recreation Center</td>
<td>XXX</td>
<td>—</td>
<td>XXX</td>
</tr>
<tr>
<td>Bonds retired</td>
<td>(XXX)</td>
<td>(XX)</td>
<td>(XXX)</td>
</tr>
<tr>
<td>Bonds payable at December 31, 19X2</td>
<td>$X,XXX</td>
<td>$X,XXX</td>
<td>$X,XXX</td>
</tr>
</tbody>
</table>

Bonds payable at December 31, 19X2 are comprised of the following individual issues (in thousands of dollars):

**General obligation bonds:**

$X,XXX,XXX 19W2 Waterworks serial bonds due in annual installments of $XX,XXX through January 1, 19Y6; interest at 4 percent (this issue is being serviced—principal and interest—by the Water and Sewer Enterprise Fund) $ XXX

$X,XXX,XXX 19W2 Street, Bridge, and Drainage Improvements serial bonds due in annual installments of $XX,XXX to $XX,XXX through December 1, 19Y2; interest at 3 percent XXX

$XXX,XXX 19X2 Civic Center serial bonds due in annual installments of $XX,XXX through December 1, 19Z2; interest at 4 percent XXX

$XXX,XXX 19X2 Richard Craddock Memorial Recreation Center serial bonds due in annual installments of $XX,XXX through December 1, 19Z2; interest at 5 percent XXX

**Revenue bonds:**

$X,XXX,XXX Water and Sewer serial bonds due in annual installments of $XX,XXX to $XX,XXX through January 1, 19Z2; interest at 3⅔ percent $X,XXX

$XXX,XXX 19W8 Water and Sewer serial bonds due in annual installments of $XX,XXX to $XX,XXX through January 1, 19Z2; interest at 3⅔ percent $X,XXX
The annual requirements to amortize all debt outstanding as of December 31, 19X2, including interest payments of $X,XXX,XXX, 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>$ XXX</td>
<td>$ XXX</td>
<td>$ XXX</td>
</tr>
<tr>
<td>19X4</td>
<td>XXX</td>
<td>XXX</td>
<td>XXX</td>
</tr>
<tr>
<td>19X5</td>
<td>XXX</td>
<td>XXX</td>
<td>XXX</td>
</tr>
<tr>
<td>19X6</td>
<td>XXX</td>
<td>XXX</td>
<td>XXX</td>
</tr>
<tr>
<td>19X7</td>
<td>XXX</td>
<td>XXX</td>
<td>XXX</td>
</tr>
<tr>
<td>19X8-Y2</td>
<td>X,XXX</td>
<td>XXX</td>
<td>X,XXX</td>
</tr>
<tr>
<td>19Y3-Y7</td>
<td>XXX</td>
<td>XXX</td>
<td>X,XXX</td>
</tr>
<tr>
<td>19Y8-Z2</td>
<td>XXX</td>
<td>XXX</td>
<td>XXX</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>X,XXX</strong></td>
<td><strong>X,XXX</strong></td>
<td><strong>X,XXX</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.

(7) **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 6.

C. Summary disclosures of changes in general fixed assets by major asset class. This requirement is met by Note 5.

D. Summary disclosures of changes in general long-term debt. This requirement is met by Note 6.

E. Excess of expenditures over appropriations in individual funds. Civic Center Capital Projects Fund expenditures of $X,XXX,XXX exceeded appropriations of $X,XXX,XXX. Mill Street Bridge Capital Projects Fund expenditures of $XX,XXX exceeded appropriations of $XX,XXX.

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>$XX,XXX</td>
<td>$XX,XXX</td>
</tr>
<tr>
<td>Special Revenue Fund: Parks Fund</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Projects Fund: Mill Street Bridge Fund</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enterprise Fund: Water and Sewer Fund</td>
<td>X,XXX</td>
<td></td>
</tr>
<tr>
<td>Internal Service Fund: Central Garage Fund</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Pension Trust Fund: Employees’ Retirement System</td>
<td>XX,XXX</td>
<td></td>
</tr>
<tr>
<td>Expendable Trust Fund: Endowment Revenues Fund</td>
<td>X,XXX</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>XX,XXX</strong></td>
<td><strong>XX,XXX</strong></td>
</tr>
</tbody>
</table>
(8) Pension Plans

The City has historically presented the financial statements of its pension plan in accordance with the official pronouncements of the National Council on Governmental Accounting (NCGA) and the Financial Accounting Standards Board (FASB).

In preparing the financial statements of the Municipal Pension Fund for Fiscal 19X2, the City has considered the Governmental Accounting Standards Board (GASB) Statements 1 and 4. These statements list several pronouncements that provide alternate methods of acceptable accounting and reporting principles for public employee retirement systems and state and local government employers. Where practicable, the City has adopted the disclosure requirements of GASB Statement 5.

A. Municipal Pension Plan

(1) PLAN DESCRIPTION—The City is required by the Home Rule Charter to maintain an actuarially sound pension and retirement system (PERS), as a single employer plan, covering all officers and employees of the City, and the officers and employees of certain other governmental and quasi-governmental organizations. Court decisions have interpreted this requirement to mean that the City must make contributions to the Municipal Pension Fund sufficient to fund:

(a) Accrued normal costs, which are actuarially computed amounts necessary to be contributed to the pension fund to provide, in the future, the pension and survivor benefits earned by the work force during the year.

(b) Amortization in level installments (which include interest) over periods of 20 and 40 years, of certain unfunded prior service costs as ordered by the Court of Common Pleas of the County in two class action suits brought by pension fund beneficiaries.

(c) Interest on the remaining unfunded accrued liability of the pension plans.

In Fiscal 19X2 the city contributed the amounts prescribed in (a) and (b) above plus a scheduled amount sufficient to amortize (inclusive of interest) the remaining unfunded accrued liability over a 36 year period.

The schedule has been determined on the basis of a formula which produces amounts expected to be a level percentage of each year’s aggregate payroll. The level percentage of payroll funding method is deemed actuarially sound and is in common use by public jurisdictions in the United States. Under this method, the unfunded accrued liability of $X.X billion at December 31, 19X1 will increase to $X.X billion by the year 2005 as unpaid interest on that liability compounds. Scheduled payments through the year 2019 will reduce the liability to zero. At January 1, 19X1 City Pension Plan membership consisted of:

<table>
<thead>
<tr>
<th>Category</th>
<th>Membership</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Retirees and beneficiaries</td>
<td>24,758</td>
</tr>
<tr>
<td>and terminated employees</td>
<td>31,970</td>
</tr>
<tr>
<td>entitled to benefits but not</td>
<td>56,728</td>
</tr>
<tr>
<td>yet receiving them</td>
<td></td>
</tr>
<tr>
<td>(2) Current employees</td>
<td></td>
</tr>
<tr>
<td>(3) Total Membership</td>
<td></td>
</tr>
</tbody>
</table>

The Pension Plan provides retirement benefits as well as death and disability benefits. Retirement benefits vest after 10 years of credited service. Employees who retire are entitled to an annual retirement benefit, payable monthly for life.

(a) Uniformed Personnel (Police and Fire) who retire at or after age 45 are eligible to receive a service pension equal to 2½% of the employee’s average final compensation multiplied by his years of credited service, subject to a maximum of 100% of average final compensation.
(b) Municipal employees who retire at or after age 55 are eligible to receive a service pension equal to the sum of: 2½% of the employee’s average final compensation multiplied by his years of credited service to a maximum of 20 years; plus 2% of the employee’s average final compensation multiplied by his years of credited service in excess of 20; limited to 80% of the employee’s average final compensation.

Average final compensation is defined as follows:

(a) Uniformed Personnel—the highest of the total compensation received during the 12-month period that produces the highest figure; or the annual base rate of pay, excluding longevity payments, calculated from the final pay period; or the arithmetic average of the total compensation received during the five calendar years of employment that produces the highest average.

(b) Municipal Employees represented by the American Federation of State, County and Municipal Employee Union (AFSCME) and certain court employees—the arithmetic average of the total compensation received during the three calendar or anniversary years that produces the highest average.

(c) Elected and appointed officials and other positions not represented by a union—the arithmetic average of the total compensation received during the three calendar or anniversary years that produces the highest average.

Covered employees who participate in the Social Security System, contribute 3¾% of his or her total compensation up to the taxable wage base and 6% of total compensation above the taxable wage base to the Retirement System. Each employee who does not participate in the Social Security System contributes 6% of his or her total compensation to the Retirement System.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS

(a) Basis of Accounting—Pension Plan financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed.

(b) Method Used to Value Investments—Pension Plan securities are reported at cost; investment income is recognized as earned. Gains and losses on sales and exchanges of fixed-income securities are recognized on the transaction date. The market value of Pension Fund investments held at December 31, 19X2 totalled $X,XXX.X million.

(3) FUNDING STATUS AND PROGRESS

The amount shown below as ‘pension benefit obligation’ is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the Pension Plan’s 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 is independent of the actuarial funding method used to determine contributions to the PERS.

The pension benefit obligation was determined as part of an actuarial valuation at January 1, 19X1. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 9% per year compounded annually; (b) projected salary increases of 6% per year compounded annually, and (c) age 65 assumed retirement age.
At January 1, 19X1, the unfunded pension benefit obligation was $X,XXX.X million, as follows:

<table>
<thead>
<tr>
<th>Pension Benefit Obligation:</th>
<th>(Amounts in Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits</td>
<td>$X,XXX,XXX</td>
</tr>
<tr>
<td>Current employees—</td>
<td></td>
</tr>
<tr>
<td>Accumulated employee contributions including allocated investment income</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Employer-financed vested</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Employer-financed nonvested</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Total pension benefit obligation</td>
<td>X,XXX,XXX</td>
</tr>
<tr>
<td>Net assets available for benefits, at cost value</td>
<td>X,XXX,XXX</td>
</tr>
<tr>
<td>Unfunded pension benefit obligation</td>
<td>$X,XXX,XXX</td>
</tr>
</tbody>
</table>

(4) CONTRIBUTION REQUIRED AND CONTRIBUTIONS MADE

The Pension Plan funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates are based on the unfunded accrued pension liability as determined by using the Entry Age actuarial cost method. This method differs from the Projected Unit Credit method that was used to determine the unfunded liability at December 31, 19X1. The effect of this change is to increase the unfunded accrued liability and Fiscal 1987 contributions by $XXX.X million and $X.X million, respectively.

Contributions totalling $XXX.X million were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed at January 1, 19X1. These contributions consisted of (a) $XX.X million normal cost and (b) $XX.X million amortization of the unfunded actuarial accrued liability less $X.X million credit for advance payments.

Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the standardized measure of the pension obligation in (3) above.

(5) TEN-YEAR HISTORICAL TREND INFORMATION

Ten-year historical trend information designed to provide information about the Pension Plan’s progress made in accumulating sufficient assets to pay benefits when due is presented following the notes to the financial statements.

B. School District Pension Plan

School districts in the Commonwealth participate in a State administered pension program established under legislative authority, which is a cost-sharing multiple-employer PERS. Under this program, contributions are made by each of three parties—The District, the Commonwealth and the employee. All the District’s full-time employees, part-time employees salaried over eighty days and hourly employees working more than five hundred hours per year participate in the program. Currently, each party to the program contributes a fixed percentage of employees’ gross earnings.

The pension program is wholly administered by the statewide, autonomous Public School Employees Retirement Systems (PSERS). The School District has no responsibility or authority for the operation and administration of the pension program nor has it any related liability except for the current contribution requirements.

There are approximately 200,000 contributing participants in the pension program and approximately 90,400 members including beneficiaries receiving benefits.
A brief statement of the terms of the pension plan follows:

(1) PENSION BENEFITS—A participant may retire with a normal retirement allowance at the age of sixty-two with one full year of service, age sixty with thirty or more years of service or with thirty-five years of service regardless of age. The normal retirement allowance paid monthly for life and then to beneficiaries if certain options are exercised, equals 2% of the average of the highest three earning years multiplied by the number of years of credited service.

Early retirement is permitted at age fifty-five or older with twenty-five years or more of credited service with a reduction of 3% per year of normal retirement benefits.

(2) DEFERRED ALLOWANCE—A participant leaving employment before attaining retirement age but completing ten years of service may elect to vest his accumulated contributions and defer receipt of a retirement annuity until a later date.

(3) DEATH BENEFITS—When a participant dies in active service after attaining normal retirement age and service, the beneficiary is entitled to a death benefit of the present value of the normal retirement allowance computed in (1) above. If a participant dies before attaining normal retirement age but after ten years of credited service, the beneficiary is entitled to a death benefit as indicated above but reduced by an early retirement factor provided by PSERS.

(4) DISABILITY BENEFITS—After five years of credited service a participant who becomes disabled and meets the PSERS medical standards is eligible for an annuity which equals 2% of the highest three years earnings multiplied by the number of years of credited service. The disability determination is subject to periodic review.

Both the School District's current-year payroll and its total current-year payroll for all employees amount to $XXX.X million.

The School District's and the Commonwealth percentages are equal and were 9.95% in Fiscal 19X2 and were decreased to 9.77% on January 1, 19X3. The employees rate was 5.25% but on July 22, 1983, a State law was passed which increased the rate to 6.25% for employees hired after that date.

Total contributions made during Fiscal 19X2 amounted to $XXX.X million, of which $XX.X million was contributed by the School District and $XX.X million by School District employees. These contributions represented 10.02% and 6.15%, respectively, of covered payroll.

The amount of the total pension benefit obligation is based on standardized measurement established by GASB Statement 5 that, with some exceptions, must be used by a PERS. The standardized measurement is the actuarial present value of credited projected benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date, and is adjusted for the effects of projected salary increases. A standardized measure of the pension benefit obligation was adopted by the GASB to enable readers of PERS financial statements to (a) assess the PERS funding status on a going-concern basis, (b) assess progress made in accumulating sufficient assets to pay benefits when due, and (c) make comparisons among PERS and among employers.

Total unfunded pension benefit obligation of the State PERS as of December 31, 19X2 was as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>(Amounts in Billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Pension Benefit Obligations</td>
<td>$XX.X</td>
</tr>
<tr>
<td>Net Assets Available for Pension Benefits, At Market</td>
<td>X.X</td>
</tr>
<tr>
<td>Unfunded Pension Benefit Obligation</td>
<td>$ X.X</td>
</tr>
</tbody>
</table>

The measurement of the total pension benefit obligation is based on an actuarial valuation as of December 31, 19X1. Net assets available to pay pension benefits were valued as of the same date.
The School District’s 19X2 required contribution to the State PERS represents 9.95% of the total current-year actuarially determined contribution requirements for all employers covered by the pension plan.

Ten-year historical trend information is presented in the 19X2 State PERS Comprehensive Annual Financial Report. This information is useful in assessing the pension plan’s accumulation of sufficient assets to pay pension benefits as they become due.

During 19X2 and as of December 31, 19X2, the State PERS held no securities issued by the School District or other related parties.

(9) Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salaries until future years. The City does not make any contributions to the plan. The deferred compensation is not available to employees until termination, retirement, or unforeseeable emergency. Deferred compensation is available to employees’ beneficiaries in case of death.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City (without being restricted to the provisions of benefits under the plan), subject only to the claims of the City’s general creditors. Participants’ rights under the plan are equal to those of general creditors of the City in an amount equal to the fair market value of the deferred account for each participant.

In management’s opinion, the City has no liability for losses under the plan. However, the City does have the duty of due care that would be required of an ordinary prudent investor. The City believes it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

All assets of the Plan are held by an independent administrator. It is appropriate to include this entity in the City’s 19X2 financial statements since the City has title to these assets. The Deferred Compensation Fund is reported as an Agency Fund and its assets are presented at market value at September 30, 19X2.

(10) 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 $XXX,XXX have been made through December 31, 19X2 including $XX,XXX 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 $XX,XXX annually until the bonds mature.

(11) Litigation

The City Council and the City are defendants in litigation seeking damages of $XXX,XXX 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.
(12) Commitments

Commitments under lease agreements for facilities and equipment provide for minimum annual rental payments as follows:

<table>
<thead>
<tr>
<th></th>
<th>Facilities</th>
<th>Equipment</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>19X3</td>
<td>$ XX,XXX</td>
<td>$ XX,XXX</td>
<td>$ XX,XXX</td>
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<tr>
<td>19X4</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
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<tr>
<td>19X5</td>
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<tr>
<td>19X7</td>
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<tr>
<td>Thereafter</td>
<td>XXX,XXX</td>
<td>—</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Total</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
</tr>
</tbody>
</table>

19X2 rent expense was $XX,XXX. Commitments under construction contracts are described in Note 4.

(13) 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.

(14) 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 $X,XXX,XXX. EPA will finance 75 percent of the total cost, approximately $X,XXX,XXX, with the City financing the balance of $XXX,XXX by issuing water and sewer revenue bonds. Construction is expected to commence in late 19X3 with completion currently scheduled for mid-19X5.
Unqualified Opinion on General Purpose or Component Unit Financial Statements Submitted Together With Combining and Individual Fund and Account Group Financial Statements and Supporting Schedules as Supplementary Data*

INDEPENDENT AUDITOR’S REPORT

We have audited the accompanying general purpose** financial statements of City of Example, Any State, as of December 31, 19X2, and for the year then ended, as listed in the table of contents. These general purpose** financial statements are the responsibility of City of Example, Any State, management. Our responsibility is to express an opinion on these general purpose** 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 general purpose** financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose** financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose** 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 City of Example, Any State, as of December 31, 19X2, and the results of its operations and cash flows of its proprietary and similar trust 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 combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose** financial statements of City of Example, Any State. Such information has been subjected to the auditing procedures applied in the audit of the general purpose** financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose** financial statements taken as a whole.

[Signature]

[Date]

*If a schedule of federal financial assistance is reported on as supplementary data, Government Auditing Standards, issued by the Comptroller General of the United States, should be referenced in the second paragraph.

**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.
Compliance Report Based on an Audit of General Purpose or Basic Financial Statements Performed in Accordance With Government Auditing Standards

We have audited the general purpose financial statements of City of Example, Any State, as of and for the year ended December 31, 19X2, and have issued our report thereon dated March 15, 19X3.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to City of Example, Any State, is the responsibility of City of Example, Any State, management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the City’s compliance with certain provisions of laws, regulations, contracts, and grants.* However, our objective was not to provide an opinion on overall compliance with such provisions.

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*Based on assessments of materiality and audit risk, auditors may decide not to perform tests of compliance with certain provisions of laws, regulations, contracts, and grants. For example, an auditor may conclude that transactions and balances directly affected by laws and regulations are not material to the financial statements taken as a whole. In such circumstances, Government Auditing Standards, in paragraph 6 on page 5-2, states that “...the report should contain a statement that the auditor did not test for compliance with laws and regulations.” The auditor’s report should not include a statement of positive assurance; however, the assessments of materiality and audit risk provide a basis for the auditor to conclude that the likelihood of material instances of noncompliance is low. Thus, the auditor has a basis for expressing negative assurance about compliance under Government Auditing Standards. The following is an illustration of the auditor’s report on compliance when, based on assessments of materiality and audit risk, the auditor concluded that it was not necessary to perform tests of compliance with laws and regulations:

[First two paragraphs are the same as in the above report.]

Compliance with laws, regulations, contracts, and grants applicable to City of Example, Any State, is the responsibility of City of Example, Any State, management. As part of our audit, we assessed the risk that noncompliance with certain provisions of laws, regulations, contracts, and grants could cause the financial statements to be materially misstated. We concluded that the risk of such material misstatement was sufficiently low that it was not necessary to perform tests of the City’s compliance with such provisions of laws, regulations, contracts, and grants.

However, in connection with our audit, nothing came to our attention that caused us to believe that City of Example, Any State, had not complied, in all material respects, with the laws, regulations, contracts, and grants referred to in the preceding paragraph.

[Fifth paragraph, signature, and date are the same as in the report illustrated above.]
The results of our tests indicate that, with respect to the items tested, City of Example, Any State, complied, in all material respects, with the provisions referred to in the preceding paragraph.** With respect to items not tested, nothing came to our attention that caused us to believe that the City had not complied, in all material respects, with those provisions.

This report is intended for the information of the audit committee, management, and [specify legislative or regulatory body]. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

[Signature]

[Date]

**Material instances of noncompliance** are failures to follow requirements or violations of prohibitions, contained in laws, regulations, contracts, or grants, that cause the auditor to conclude that the aggregation of the misstatements (that is, the auditor's best estimate of the total misstatement) resulting from those failures or violations is material to the financial statements. When the auditor's procedures disclose material instances of noncompliance, the auditor should modify the statements of positive and negative assurance included in the report. The following is an illustration of the auditor's report on compliance when material instances of noncompliance are identified:

[First three paragraphs are the same as in the report illustrated above.]

Material instances of noncompliance are failures to follow requirements or violations of prohibitions, contained in laws, regulations, contracts, or grants, that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the general purpose financial statements. The results of our tests of compliance disclosed the following material instances of noncompliance, the effects of which have been corrected in the 19X2 general purpose financial statements of City of Example, Any State.

[Include paragraphs describing the material instances of noncompliance noted.]

We considered these material instances of noncompliance in forming our opinion on whether the 19XX general purpose financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect our report dated March 15, 19X3 on those general purpose financial statements.

Except as described above, the results of our tests of compliance indicate that, with respect to the items tested, City of Example, Any State, complied, in all material respects, with the provisions referred to in the third paragraph of this report, and with respect to items not tested, nothing came to our attention that caused us to believe that the City had not complied, in all material respects, with those provisions.

[Last paragraph, signature, and date are the same as in the above report.]
Report on the Internal Control Structure in Accordance With Government Auditing Standards

We have audited the general purpose financial statements of City of Example, Any State, as of and for the year ended December 31, 19X2, and have issued our report thereon dated March 15, 19X3.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

In planning and performing our audit of the general purpose financial statements of City of Example, Any State, for the year ended December 31, 19X2, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

The management of City of Example, Any State, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories [identify internal control structure categories].

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.
We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.*

[Include paragraphs to describe the reportable conditions noted.]

A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described above is a material weakness.

We also noted other matters involving the internal control structure and its operation that we have reported to the management of City of Example, Any State, in a separate letter dated March 15, 19X3.

This report is intended for the information of the audit committee, management, and [specify legislative or regulatory body]. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

[Signature]

[Date]

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*Paragraph 17 of SAS No. 60, Communication of Internal Control Structure Related Matters Noted in a Financial Statement Audit, prohibits the auditor from issuing a written report representing that no reportable conditions were noted during an audit. When the auditor notes no reportable conditions during an audit, he or she may issue a report, such as the following, to satisfy the requirements of Government Auditing Standards:

[First through sixth paragraphs of the report are the same as those illustrated in the above example.]

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under the standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above. However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of City of Example, Any State, in a separate communication dated March 15, 19X3.

[Last paragraph of the report is the same as that illustrated in the above example.]
We have audited City of Example, Any State, compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; [describe any special tests and provisions]; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs, which are identified in the accompanying schedule of federal financial assistance, for the year ended December 31, 19X2. The management of City of Example, Any State, is responsible for City of Example, Any State, compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and Office of Management and Budget Circular A-128, "Audits of State and Local Governments." Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about City of Example, Any State, compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying schedule of findings and questioned costs. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, City of Example, Any State, complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; [describe any special tests and provisions]; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs for the year ended December 31, 19X2.

[Signature]

[Date]
Single Audit Report on Compliance With the General Requirements Applicable to Major Federal Financial Assistance Programs

We have applied procedures to test City of Example, Any State, compliance with the following requirements applicable to each of its major federal financial assistance programs, which are identified in the schedule of federal financial assistance, for the year ended December 31, 19X2: [List the general requirements applicable to the entity's major federal financial assistance programs (such as political activity, Davis-Bacon Act, civil rights, cash management, relocation assistance and real property management, or federal financial reports).]

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's Compliance Supplement for Single Audits of State and Local Governments [or describe alternative procedures performed]. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on City of Example, Any State, compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the first paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that City of Example, Any State, had not complied, in all material respects, with those requirements. However, the results of our procedures disclosed immaterial instances of non-compliance with those requirements, which are described in the accompanying schedule of findings and questioned costs.

This report is intended for the information of the audit committee, management, and [specify legislative or regulatory body]. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

[Signature]

[Date]
Single Audit Report on Compliance With
Requirements Applicable to Nonmajor Federal
Financial Assistance Program Transactions

In connection with our audit of the 19XX general purpose financial statements of City of Example, Any State, and with our study and evaluation of City of Example, Any State, internal control systems used to administer federal financial assistance programs, as required by Office of Management and Budget Circular A-128, "Audits of State and Local Governments," we selected certain transactions applicable to certain nonmajor federal financial assistance programs for the year ended December 31, 19X2.

As required by OMB Circular A-128, we have performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed; eligibility; and [describe any special tests and provisions] that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on City of Example, Any State, compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that City of Example, Any State, had not complied, in all material respects, with those requirements. However, the results of our procedures disclosed immaterial instances of noncompliance with those requirements, which are described in the accompanying schedule of findings and questioned costs.

This report is intended for the information of the audit committee, management, and [specify legislative or regulatory body]. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

[Signature]

[Date]
Report on Internal Controls (Accounting and Administrative)—
Based on a Study and Evaluation Made as a Part of
an Audit of the General Purpose or Basic Financial Statements
and the Additional Tests Required by the Single Audit Act

[The concepts of SAS Nos. 55, Consideration of the Internal Control Structure in a Financial Statement Audit, and 63, Compliance Auditing Applicable to Governmental Entities and Other Specified Recipients of Governmental Financial Assistance, have a considerable effect on considerations auditors should make in reporting on internal control over federal financial assistance, as required by the Single Audit Act. The Government Accounting and Auditing Committee is developing guidance to amend the following example and paragraphs 21.6 through 21.16 of Audits of State and Local Governmental Units, which will, among other things, relate the concepts of this example and those paragraphs with those of SAS Nos. 55 and 63.]

We have audited the general purpose financial statements of City of Example, Any State, for the year ended December 31, 19X2, and have issued our report thereon dated March 15, 19X3. As part of our audit, we made a study and evaluation of the internal control systems, including applicable internal administrative controls, used in administering federal financial assistance programs to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, the Single Audit Act of 1984, and the provisions of Office of Management and Budget Circular A-128, “Audits of State and Local Governments.” For the purpose of this report, we have classified the significant internal accounting and administrative controls used in administering federal financial assistance programs in the following categories: [identify control categories]*

The management of City of Example, Any State, is responsible for establishing and maintaining internal control systems used in administering federal financial assistance programs. In fulfilling that responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control systems used in administering federal financial assistance programs are to provide management with reasonable, but not absolute, assurance that, with respect to federal financial assistance programs, resource use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; and reliable data are obtained, maintained, and fairly disclosed in reports.

*Following are examples of different ways in which accounting controls might be classified. The auditor should modify these examples or use other classifications as appropriate for the particular circumstances on which he or she is reporting.

Cycles of the Entities’ Activity
• Treasury or financing
• Revenue/receipts
• Purchases/disbursements
• External financial reporting

Financial Statement Captions
• Cash and cash equivalents
• Receivables
• Inventory
• Property and equipment
• Payables and accrued liabilities
• Debt
• Fund balance

Accounting Applications
• Billings
• Receivables
• Cash receipts
• Purchasing and receiving
• Accounts payable
• Cash disbursements
• Payroll
• Inventory control
• Property and equipment
• General ledger

(continued)
Because of inherent limitations in any system of internal accounting and administrative controls used in administering federal financial assistance programs, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study included all of the applicable control categories listed above. During the year ended December 31, 19X2, City of Example, Any State, expended X percent of its total federal financial assistance under major federal financial assistance programs. With respect to internal control systems used in administering major federal financial assistance programs, our study and evaluation included considering the types of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weaknesses.

With respect to the internal control systems used solely in administering the nonmajor federal financial assistance programs of City of Example, Any State, our study and evaluation was limited to a preliminary review of the systems to obtain an understanding of the control environment and the flow of transactions through the accounting system. Our study and evaluation of the internal control systems used solely in administering the nonmajor federal financial assistance programs of City of Example, Any State, did not extend beyond this preliminary review phase.**

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Controls Used in Administering Federal Programs
Following are general and specific administrative control categories identified by representatives of the federal government (refer to chapter 22 of Audits of State and Local Governmental Units).

General Requirements
• Political activity
• Davis-Bacon Act
• Civil rights
• Cash management
• Relocation assistance and real property acquisition
• Federal financial reports

Specific Requirements
• Types of services
• Eligibility
• Matching, level of effort
• Reporting
• Cost allocation
• Special requirements, if any
• Monitoring subrecipients

**If total assistance expended under major federal financial assistance programs is greater than zero but constitutes less than 50 percent of total federal assistance expended by the government during the year under audit, the auditor should apply the guidance in chapter 21 of Audits of State and Local Governmental Units in order to satisfy the objectives of the Single Audit Act. When such guidance is applied, the fourth through seventh paragraphs of the report on internal controls used to administer federal financial assistance programs should be modified as follows:

Our study included all of the applicable control categories listed above. During the year ended December 31, 19X2, City of Example, Any State, expended X percent of its total federal financial assistance under major federal financial assistance programs and the following nonmajor federal financial assistance programs: [list appropriate nonmajor federal assistance programs]. With respect to internal control systems used in administering these major and nonmajor federal financial assistance programs, our study and evaluation included considering the types of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weaknesses.

With respect to the internal control systems used solely in administering the other nonmajor federal financial assistance programs of City of Example, Any State, our study and evaluation was limited to a preliminary review of the systems to obtain an understanding of the control environment and the flow of transactions through the accounting system. Our study and evaluation of the internal control systems used solely in administering these nonmajor federal financial assistance programs of City of Example, Any State, did not extend beyond this preliminary review phase.
Our study and evaluation was more limited than would be necessary to express an opinion on the internal control systems used in administering the federal financial assistance programs of City of Example, Any State. Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance programs of City of Example, Any State. Further, we do not express an opinion on the internal control systems used in administering the major federal financial assistance programs of City of Example, Any State.

Also, our audit, made in accordance with the standards mentioned above, would not necessarily disclose material weaknesses in the internal control systems used solely in administering nonmajor federal financial assistance programs.
However, our study and evaluation and our audit disclosed the following conditions that we believe result in more than a relatively low risk that errors or irregularities in amounts that would be material to a federal financial assistance program may occur and not be detected within a timely period.*** (A description of the conditions that have come to the auditor’s attention would follow; if the study and evaluation and the audit disclose no material weaknesses in relation to a federal financial assistance program, this sentence should state, “However, our study and evaluation and our audit disclosed no condition that we believe to be a material weakness in relation to a federal financial assistance program of City of Example, Any State,” and the following paragraph should be omitted.)

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in (1) our audit of the 19XX general purpose financial statements and (2) our audit and review of City of Example, Any State, compliance with laws and regulations noncompliance with which we believe could have a material effect on the allowability of program expenditures for each major federal financial assistance program and nonmajor federal financial assistance programs. This report does not affect our reports on the general purpose financial statements and on City of Example, Any State, compliance with laws and regulations dated March 15, 19X3.

This report is intended solely for the use of management and [specify legislative or regulatory body] and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by City of Example, Any State, is a matter of public record.

[Signature]

[Date]

***All material weaknesses that have come to the auditor’s attention during the audit should be described. Though only material weaknesses in internal controls need be reported, the auditor may wish to report nonmaterial weaknesses to management. This may be accomplished in the auditor’s letter to management or through some similar method of communication. If a letter to management is prepared, the auditor should refer to that communication in this report.

Government Auditing Standards, issued by the Comptroller General of the United States, states that well-developed findings concerning material weaknesses in internal controls generally consist of a statement of condition, the criteria, the effect, and the cause (see chapter 23 of Audits of State and Local Governmental Units for further explanation).

It is recognized that the auditor may not be able to fully develop all of these points for each material weakness found, given the scope and purpose of the control study. The auditor should attempt to identify the condition, criteria, effect, and cause to provide sufficient information to federal, state, and local officials to permit timely and proper corrective action. These findings may also serve as a basis for a federal agency’s conducting or contracting for additional audit work.

Weaknesses identified relating to controls over nonmajor programs should be reported here or alternatively in a letter to management based on whether they are considered to be material or nonmaterial.
TECHNICAL HOTLINE

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(800) 522-5430 (New York Only)

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