Checklists and illustrative financial statements for state and local governmental units: a financial reporting practice aid, June 1994 edition

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Checklists and Illustrative Financial Statements for State and Local Governmental Units

A Financial Accounting and Reporting Practice Aid
CHECKLISTS AND ILLUSTRATIVE FINANCIAL STATEMENTS IN THE SERIES

Checklists and Illustrative Financial Statements for Corporations

Checklist Supplements and Illustrative Financial Statements
Checklist Supplement and Illustrative Financial Statements for Construction Contractors
Checklist Supplement and Illustrative Financial Statements for Investment Companies
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Industry Checklists and Illustrative Financial Statements
Checklists and Illustrative Financial Statements for Agricultural Cooperatives
Checklists and Illustrative Financial Statements for Banks
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.01 The checklists and illustrative financial statements included in this section have been developed by the staff of the Technical Information Division of the AICPA as nonauthoritative technical practice aids for use in audits of financial statements of state or local governmental units. They are not designed to be applied to the financial statements of colleges, universities, hospitals or not-for-profit organizations. The checklists cover GAAP disclosures applicable to general purpose financial statements (GPFS) and do not address additional disclosures applicable only to a comprehensive annual financial report (CAFR). Readers should be aware of the following:

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

- The checklists and illustrative financial statements and reports have been updated through Statements of the Governmental Accounting Standards Board (GASB) No. 23 (Statement No. 11, Measurement Focus and Basis of Accounting—Governmental Fund Operating Statements, has not been included in the checklists due to the delay of its effective date to an indefinite time period, AICPA Audit and Accounting Guide, Audits of State and Local Governmental Units (with conforming changes as of May 1, 1993), AICPA Statement on Auditing Standards No. 72, FASB Statement of Financial Accounting Standards No. 117, FASB Interpretation No. 40, FASB Technical Bulletin No. 90-1, GASB Technical Bulletin 92-1, and AICPA Statement of Position No. 93-8. The checklists and illustrative financial statements and reports should be modified, as appropriate, for subsequent pronouncements. In determining the applicability of a pronouncement, its effective date should also be considered.

- The checklists and illustrative financial statements and reports 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 the Codification of Governmental Accounting and Financial Reporting Standards and subsequent GASB pronouncements, the U.S. General Accounting Office’s Government Auditing Standards (GAO’s Standards for Audit, 1988 Revision), and 92-7, Audits of State and Local Governmental Entities Receiving Federal Financial Assistance, is required for proper implementation of these checklists.

- On July 26, 1993, the United States General Accounting Office issued an Exposure Draft of proposed changes to Government Auditing Standards (“Yellow Book”), which, when finalized, will supersede the 1988 revision and become effective for audits of periods ending on or after December 31, 1994. In addition, it is expected that there will be a revision to the AICPA Audit Guide, Audits of State and Local Governmental Units. Neither of these proposed guides have been incorporated into this checklist.

- The checklists and illustrative financial statements and reports do not represent minimum requirements and do not purport to be all-inclusive. The referenced standards should be reviewed if clarification is needed to determine whether the disclosures indicated are required or suggested and to what extent each disclosure is relevant to the statements being presented.

.02 Users of the checklists and illustrative financial statements and reports are urged to refer directly to applicable authoritative pronouncements when appropriate. If you have any further questions, call the AICPA Technical Hotline.
Introduction

.01 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

.02 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. 69, The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles in the Independent Auditor’s Report (AICPA Professional Standards, AU Sec. 411), statements and interpretations issued by the GASB are recognized within category (a) as a source of established accounting principles. These are defined as “accounting principles promulgated by a body designated by the AICPA Council to establish such principles, pursuant to Rule 203 (ET section 203.01) of the AICPA Code of Professional Conduct.” The GASB’s first pronouncement, Authoritative Status of NCGA Pronouncements and AICPA Industry Audit Guides, issued in June 1984, endorsed prior statements and interpretations of the National Council on Governmental Accounting (NCGA). This position was reiterated by the GASB on November 1, 1984, with the publication of its Codification of Governmental Accounting and Financial Reporting Standards. Since that time, additional GASB statements, interpretations, and technical bulletins have been issued and are included in the codification.

Auditing Standards

.03 In December 1991, the AICPA issued SAS No. 68, Compliance Auditing Applicable to Governmental Entities and Other Recipients of Governmental Financial Assistance (currently under revision), that provides guidance for performing audits under generally accepted auditing standards, generally accepted government auditing standards, the Single Audit Act of 1984, and Office of Management and Budget (OMB) Circular A-128, Audits of State and Local Governments. Circular A-128 was issued as the implementing regulation for the Single Audit Act. The Act, along with Circular A-128, established detailed auditing and reporting requirements for governmental units receiving $100,000 or more of federal assistance in any fiscal year.
Checklists—General

.01 Many auditors and accountants find it helpful to use checklists as practice aids to prepare financial statements and reports. Some firms have developed checklists in-house for internal use. 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.

.02 Checklists typically consist of a number of brief questions or statements that are accompanied by references to the accounting or auditing literature. The extent of detail included in checklists varies with the judgment of the preparers. 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 herein 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 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 checklists.

.05 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.
Financial Statements and Notes Checklist

.01 This checklist has been developed by the staff of the Technical Information Division of the AICPA as a nonauthoritative practice aid.

.02 Explanation of References:

GASB = Governmental Accounting Standards Board Statement
GASBI = Governmental Accounting Standards Board Interpretation
GASB Cod. Sec. = GASB Codification Section
GTB = Technical Bulletin issued by the staff of the GASB
NCGA = National Council on Governmental Accounting Statement
NCGAI = National Council on Governmental Accounting Interpretation
AAG-SLG = AICPA Audit and Accounting Guide, Audits of State and Local Governmental Units, (with conforming changes as of May 1, 1993)
SAS = AICPA Statement on Auditing Standards
AU = References to section number in AICPA Professional Standards (vol. 1)
SFAS = AICPA Statement of Financial Accounting Standards
AC = Reference to section number in FASB Accounting Standards—Current Text
FASBI = FASB Financial Accounting Standards Board Interpretation
FTB = Technical Bulletin issued by the staff of the FASB
APB = AICPA Accounting Principles Board Opinion
ARB = AICPA Accounting Research Bulletin
SOP = AICPA Statement of Position
TPA = AICPA Technical Practice Aid
SSAE = Statements on Standards for Attestation Engagements

.03 Checklist Questionnaire

I. General

A. Titles and Memoranda

1. Are all financial statements titled properly?
   [NCGA 1, par. 143 (GASB Cod. Sec. 2200.109); SAS 62, par. 7 (AU 623.07)]

2. If totals by account are presented in the General Purpose (GPFS) or Component Unit (CUFS) Combined Financial Statements, are totals noted as memoranda only?
   [GASB Cod. Sec. 2200.117; AAG-SLG, par. 18.10]
3. When the financial statements are prepared in conformity with GAAP, do the fund types used conform to those described in GASB Cod. Sec. 1300.104? [NCGA 1, pars. 19, 20, and 26; GASB 6, par. 13 (GASB Cod. Sec. 1300.104)]

B. Significant Accounting Policies

1. Is a summary of significant accounting policies shown as the initial note to the financial statements or as a stand-alone summary? [NCGAI 6, pars. 6—8 (GASB Cod. Sec. 2300.108—110); APB 22, par. 8 (AC A10.102)]

2. If the summary of significant accounting policies is shown as a stand-alone summary, is each page of the GPFS referenced to that summary and to the notes? [NCGAI 6, par. 8 (GASB Cod. Sec. 2300.110)]

3. Does the summary of significant accounting policies address the following:
   a. Criteria used to determine the scope of the reporting entity? [NCGAI 6, par. 4 (GASB Cod. Sec. 2300.106a); GASB 14, par. 61 (GASB Cod. Sec. 2600.124)]
   b. Revenue and expenditure/expense recognition policies (i.e., measurement focus and basis of accounting)? [NCGAI 6, par. 4 (GASB Cod. Sec. 2300.106a); NCGA 1, pars. 63—73, and 91; NCGA 4, pars. 16—17; NCGAI 3; GASB 6, pars. 14, 15, and 17 (GASB Cod. Sec. 1600.106—124)]
   c. Method of encumbrance accounting and reporting? [NCGAI 6, par. 4 (GASB Cod. Sec. 2300.104a); NCGA 1, pars. 91—92 (GASB Cod. Sec. 1700.129—130)]
   d. Policy regarding reporting infrastructure assets, including budgetary accounting? [NCGAI 6, par. 4 (GASB Cod. Sec. 2300.106a); NCGA 1, par. 40 (GASB Cod. Sec. 1400.109)]
   e. Policy regarding capitalization of interest costs incurred during construction of fixed assets? [NCGAI 6, par. 4 (GASB Cod. Sec. 2300.106a); NCGA 1, par. 48 (GASB Cod. Sec. 1400.111)]
   f. The extent to which fixed asset costs are estimated and the methods of estimation? [NCGA 1, par. 49 (GASB Cod. Sec. 1400.112); NCGAI 6, par. 5 (GASB Cod. Sec. 2300.107m)]
   g. The use of the modified accrual basis for governmental fund types? [NCGA 1, par. 61 (GASB Cod. Sec. 1600.105)]
   h. Basis of presentation—fund accounting, including fund categories/generic fund types, account groups, and the effects of component units with differing fiscal year-ends? [NCGAI 6, Appendix (GASB Cod. Sec. 2300.901)]
   i. Policy regarding expenditure recognition of inventories—purchase or consumption method? [NCGA 1, par. 73 and GASB 6, par. 15 (GASB Cod. Sec. 1600.122a)]
   j. Policy regarding vacation and sick leave? [NCGA 4 and GASB 16 (GASB Cod. Sec. C60)]
   k. Policy regarding investments? [GTB 87-1 (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 and .115)]

2. If applicable, 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)]

3. Are the effects of changes in accounting estimates disclosed if they are material?
   [APB 20, pars. 31—33 (AC A06.130.—.132)]

4. If a change in reporting entity occurs, are the disclosures made in accordance with APB 20, paragraphs 34 and 35?
   [APB 20, pars. 34 and 35 (AC A35.112—.113)]

5. 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 disclosed in the period in which the error is discovered and corrected?
   [APB 20, par. 37 (AC A35.105)]

6. For prior-period adjustments:
   a. Are the resulting effects on the excess of revenues over (under) expenditures/expenses of prior periods disclosed in the financial statements 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/expenses of the immediately preceding period?

   c. If financial statements for more than one period are presented, does disclosure include the effects for each of the periods presented in the statements?
   [APB 9, par. 27 (AC A35.108)]

7. If the prior-period adjustments pertain to years presented in a comparative operating statement (e.g., historical summaries of financial data), are they reflected therein with appropriate disclosure?
   [APB 9, par. 27 (AC A35.108)]

8. If interim financial reports contain an adjustment related to prior interim periods of the current fiscal year, do disclosures include:
   a. The effect on excess (deficiency) from continuing operations and excess (deficiency) for each prior interim period of the current fiscal year?
   [SFAS 16, par. 15 (AC A35.111)]

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

D. Comparative Financial Statements

1. Are comparative statements 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) 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 occur 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. 3 (AC F43.103)]
E. Financial Instruments (This section applies to proprietary funds only)

1. For financial instruments with off-balance-sheet risk (except for the instruments specifically excluded in SFAS 105), are the following disclosed, either in the body of the financial statements or in the notes, by class of financial instrument:

   a. The face or contract amount (or notional principal amount if there is no face or contract amount)?

   b. The nature of terms, including, at a minimum, a discussion of:
      (1) The credit and market risk of those instruments?
      (2) The cash requirements of those instruments?
      (3) The related accounting policy pursuant to the requirements of APB Opinion No. 22, "Disclosure of Accounting Policies"?

   [SFAS 105, par. 17 (AC F25.112)]

2. For financial instruments with off-balance-sheet risk (except for those excluded in SFAS 105), are the following disclosed, either in the body of the financial statements or in the notes, by the class of financial instrument:

   a. The amount of accounting loss the entity would incur if any party to the financial instrument failed completely to perform according to the terms of the contract and if the collateral or other security, if any, for the amount due proved to be of no value to the entity?

   b. The entity’s policy of requiring collateral or other security to support financial instruments subject to credit risk, information about the entity’s access to that collateral or other security, and the nature and a brief description of the collateral or other security supporting those financial instruments?

   [SFAS 105, par. 18 (AC F25.113)]

3. Do disclosures of all significant concentrations of credit risk arising from all financial instruments, whether from individual counterparty or groups of counterparties (except for certain insurance and investment contracts, purchase and pension obligations, and substantially extinguished debt), include:

   a. Information about the (shared) activity, region, or economic characteristic that identifies the concentration?

   b. The amount of the accounting loss due to credit risk the entity would incur if parties to the financial instruments that make up the concentration failed completely to perform according to the terms of the contracts and if the collateral or other security, if any, for the amount due proved to be of no value to the entity?

   c. The entity’s policy of requiring collateral or other security to support financial instruments subject to credit risk, information about the entity’s security, and the nature and a brief description of the collateral or other security supporting those financial instruments?

   [SFAS 105, par. 20 (AC F25.115)]

F. Nonmonetary Transactions

1. Do disclosures for nonmonetary transactions 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 N35.120); FASBI 30 (AC N35.120)]

2. If nonmonetary assets are donated to a governmental unit for use in general government activities, are they recorded in the General Fixed Assets Account Group (GFAAG)?

   [NCGA 1, par. 50 (GASB Cod. Sec. 1400.113)]

1 Practices for grouping and separately identifying—classifying—similar financial instruments in statements of financial position, in notes to financial statements, and in various regulatory reports have developed and become generally accepted, largely without being codified in authoritative literature. In SFAS 105, "class of financial instrument" refers to those classifications.
G. Contingencies and Commitments

1. Is disclosure made on the face of the financial statements or in the notes of the nature and amount of accrued loss contingencies, including the total claims and judgments determined for the year under SFAS 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); FASB 14, pars. 4—7 (AC C59.124—.127); NCGA 1, par. 46, as amended by GASB 6, par. 13; NCGA 4 (GASB Cod. Sec. 1500.110); NCGA 4, par. 16 (GASB Cod. Sec. C50.112)]  

2. For loss contingencies not accrued, do disclosures indicate:  
   a. Nature of contingency?  
   b. Estimate of possible loss or range of loss, or a statement that such estimate cannot be made?  
   [SFAS 5, pars. 9—12 (AC C59.108—.114); NCGA 1, par. 46, as amended by GASB 6, par. 13; NCGA 4, par. 17 (GASB Cod. Sec. 1500.110)]  

3. Are guarantees of the entity disclosed in the financial statements, even if the possibility of default is remote?  
   [AAG-SLG, par. 11.28]  

4. Are any moral obligations assumed by the entity disclosed in the financial statements?  
   [AAG-SLG, par. 11.28]  

5. Is any no-commitment debt disclosed in the financial statements?  
   [AAG-SLG, par. 11.28]  

6. For unconditional purchase obligations not recorded on the entity’s balance sheet, are the following disclosed:  
   a. The nature and term of the obligation(s)?  
   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) (e.g., 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)]  

7. Is disclosure made of conditions that raise a question about the entity’s ability to continue in existence for a reasonable period of time, and viable plans to overcome these difficulties?  
   [SAS 59, par. 10 (AU 341.10); AAG-SLG, pars. 18, 19—21]  

8. If appropriations lapse at year-end, even if encumbered, and the governmental unit intends to honor them, are the outstanding encumbrances at year-end disclosed in the notes to the financial statements or by reservation of fund balance?  
   [NCGA 1, par. 91 (GASB Cod. Sec. 1700.129d)]  

9. If a governmental unit is prohibited by law from budgeting or appropriating property taxes recognized as revenue pursuant to GASB Sec. P70, is the prohibition disclosed by a reservation of fund balance and explained in the notes to financial statements?  
   [NCGAI 3, par. 9 (GASB Cod. Sec. P70.104)]  

10. If payments are made to an internal service self-insurance fund to pay claims and judgments of governmental funds, and the claims are based on actuarially determined liabilities, are these transfers classified as operating transfers and not as an expenditure of the insured fund?  
    [NCGA 4, par. 20 and NCGAI 11, pars. 5 and 6 (GASB Cod. Sec. C50.117)]  
    a. Are any amounts transferred in excess of the amount that was actuarially determined classified as residual equity transfers?  
    [NCGA 4, par. 20 and NCGAI 11, pars. 5 and 6 (GASB Cod. Sec. C50.117)]
11. Are gain contingencies adequately disclosed (with care to avoid any misleading implications about likelihood of realization)?
   [SFAS 5, par. 17 (AC C59.118)]

12. Is disclosure made of unused letters of credit and assets pledged as security for loans?
   [SFAS 5, pars. 18—19 (AC C59.120)]

13. Is disclosure made of any material violations of legal and contractual provisions?
   [NCGAI 6, par. 4 (GASB Cod. Sec. 2300.106h)]

H. Subsequent Events

1. Are the financial statements adjusted for any changes in estimates resulting from subsequent events that provide additional evidence about conditions that exist at the balance-sheet date?
   [SFAS 5, par. 8 (AC C59.105); SAS 1, Secs. 560.03—.04 and .07 (AU 560.03—.04 and .07)]

2. Are subsequent events that provide evidence of conditions that did not exist at the balance-sheet date, but arose subsequent to that date, adequately disclosed?
   [SFAS 5, par. 11 (AC C59.112); SAS 1, Secs. 560.05—.07, and .09 (AU 560.05—.07, and .09)]

I. Related-Party Transactions

1. Are the nature and extent of any leasing transactions with related parties disclosed?
   [NCGA 5, par. 27 (GASB Cod. Sec. L20.129); SFAS 13, par. 29 (AC L10.125)]

2. 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)?
   b. A description of the transactions, including transactions to which no amounts or nominal amounts are 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—.105); SAS 45, par. 11 (AU 334.11—.12)]

3. Does the primary government disclose the nature of its accountability for related organizations?
   [GASB 14, par. 68 (GASB Cod. Sec. 2600.131)]

4. Do the financial statements of the related governmental organization disclose the primary government that it is accountable for and describe its relationship with that primary government?
   [GASB 14, par. 68 (GASB Cod. Sec. 2600.131)]
J. Component Units

1. If component units are included in the financial reporting entity by discrete presentation, does the reporting entity’s combined balance sheet include one or more columns to display the combined balance sheets of the component units? [GASB 14, par. 44 (GASB Cod. Sec. 2600.107)]

2. Are the discrete column(s) located to the right of the financial data of the primary government, distinguishing between the financial data of the primary government and those of the discretely presented component units by providing descriptive column headings? [GASB 14, par. 44 (GASB Cod. Sec. 2600.107)]

3. Does the reporting entity’s combined statement of revenues, expenditures, and changes in fund balance—governmental funds, include one or more columns to display the revenues, expenditures, and changes in fund balances for discretely presented component units that use governmental fund accounting? [GASB 14, par. 45 (GASB Cod. Sec. 2600.108)]

4. If a component unit that uses both governmental and proprietary methods uses a single operating statement approach (all operations are included in one statement), are the results of its operations using the other method of accounting reduced to a single amount and presented as a separate line item, such as “Net income from proprietary operations” or “Excess of revenues over expenditures from governmental operations”? [GASB 14, par. 47 (GASB Cod. Sec. 2600.110)]

5. Do the reporting entity’s financial statements for discretely presented component units that use the AICPA Industry Audit Guide, Audits of Colleges and Universities, include a statement of changes in fund balances and a statement of current funds revenues, expenditures, and other changes? [GASB 14, par. 48 (GASB Cod. Sec. 2600.111)]

6. If the reporting entity chooses to provide a total column for the primary government, is the column labeled “memorandum only”? [GASB 14, par. 49 (GASB Cod. Sec. 2600.112)]

7. If the reporting entity’s combined statements include a total column for the reporting entity as a whole, is it labeled “memorandum only”? [GASB 14, par. 49 (GASB Cod. Sec. 2600.112)]

8. If the entity provides a total column for the entity as a whole, is a total column for the primary government also presented? [GASB 14, par. 49 (GASB Cod. Sec. 2600.112)]

9. Are combining financial statements for discretely presented component units included in the reporting entity’s comprehensive annual financial report using the same methodology as combining statements of the fund types of the primary government? [GASB 14, par. 50 (GASB Cod. Sec. 2600.113)]

10. In Step 9 above, is the data presented for each component unit in the combining statements generally its aggregated totals? [GASB 14, par. 50 (GASB Cod. Sec. 2600.113)]

11. If the entity chooses to present more than one column for the discretely presented component units (e.g., separate columns for component units that use governmental fund accounting and those that use proprietary fund accounting), are separate combining statements presented for each column in the combined statements? [GASB 14, par. 50 (GASB Cod. Sec. 2600.113)]

12. Is certain information disclosed about each major component unit included in the component units column(s) in the GPFS by either (a) including the required combining statements in the reporting entity’s GPFS or (b) by presenting condensed financial statements in the notes to the reporting entity’s financial statements? [GASB 14, par. 51 (GASB Cod. Sec. 2200.119)]
13. If the condensed financial statement disclosure approach is taken, are the following details separately presented:

a. Condensed balance sheet:
   (1) Current assets (amounts due from the primary government and other component units should be separately identified)?
   (2) Property, plant, and equipment (including general fixed assets)?
   (3) Amounts to be provided (and available) for the retirement of general long-term debt?
   (4) Current liabilities (amounts due to the primary government and other component units should be separately identified)?
   (5) Bonds and other long-term liabilities outstanding (amounts due to the primary government and other component units should be separately identified)?

   [GASB 14, par. 51 (GASB Cod. Sec. 2600.114)]

b. Condensed statements of revenues, expenses, and changes in equity for component units that use proprietary fund accounting:
   (1) Operating revenues (total revenues from sales of goods or services) (sales to the primary government and other component units should be separately identified)?
   (2) Operating expenses (depreciation, depletion, and amortization expense should be separately identified)?
   (3) Operating income or loss (operating revenues less operating expenses)?
   (4) Operating grants, entitlements, and shared revenues?
   (5) Transfers to/from the primary government and other component units?
   (6) Tax revenues?
   (7) Net income or loss (total revenues less total expenses)?
   (8) Current capital contributions?

   [GASB 14, par. 51 (GASB Cod. Sec. 2600.114)]

c. Condensed statements of revenues, expenditures, and changes in fund balances for component units that use governmental fund accounting:
   (1) Revenues?
   (2) Current expenditures?
   (3) Capital outlay expenditures?
   (4) Debt service expenditures?
   (5) Transfers to/from the primary government and other component units?
   (6) Excess (deficiency) of revenues and expenditures?

   [GASB 14, par. 51 (GASB Cod. Sec. 2600.114)]

14. Is information for all nonmajor discretely presented component units presented in the aggregate?

   [GASB 14, par. 51 (GASB Cod. Sec. 2600.114)]

15. Is a component unit included in the reporting entity’s financial statements using the blending method in either of these circumstances:

   a. The component unit’s governing body is substantively the same as the governing body of the primary government?
   b. The component unit provides services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government even though it does not provide services directly to it?

   [GASB 14, par. 53 (GASB Cod. Sec. 2600.116)]
16. Is the general fund of the reporting entity only the general fund of the primary government? [GASB 14, par. 54 (GASB Cod. Sec. 2600.117)]

17. Is the general fund of a blended component reported as a special revenue fund? [GASB 14, par. 54 (GASB Cod. Sec. 2600.117)]

18. If the intent of the primary government in obtaining a for-profit corporation is to directly enhance its ability to provide governmental services (rather than just as an investment), is the corporation presented as a component unit (rather than as an investment)? [GASB 14, par. 55 (GASB Cod. Sec. 2600.118)]

19. Are transfers between the primary government and its blended component units reported as required by GASB Cod. Sec. 1800.102—.107 for interfund transfers? [GASB 14, par. 57 (GASB Cod. Sec. 1300.110)]

20. Are receivables and payables between the primary government and its blended component units reported as amounts due to and from other funds? [GASB 14, par. 57 (GASB Cod. Sec. 2600.120)]

21. Are balances and transfers between the primary government and component units that are discretely presented reported in accordance with GASB Cod. Sec. 1800.102—.107, except that the amounts of the balances and transfers should be reported separately from interfund balances and transfers? [GASB 14, par. 57 (GASB Cod. Sec. 2600.120)]

22. Are lease arrangements between the primary government and blended component units reported in accordance with GASB Cod. Sec. L20.125? [GASB 14, par. 58 (GASB Cod. Sec. 2600.121)]

23. Are capital lease arrangements between the primary government and discretely presented components reported in accordance with GASB Cod. Sec. L20.126? [GASB 14, par. 58 (GASB Cod. Sec. 2600.121)]

24. In Step 23. above, are related receivables and payables reported separately from other amounts due to or from component units and separately from capital lease receivables and payables from organizations outside the reporting entity? [GASB 14, par. 58 (GASB Cod. Sec. 2600.121)]

25. If a common fiscal year-end is impractical for the primary government and its component units, does the reporting entity (which reports using the primary government’s fiscal year) incorporate financial statements for the component unit’s fiscal year-end during the reporting entity’s fiscal year. [GASB 14, par. 59 (GASB Cod. Sec. 2600.122)]

26. If transactions between component units that have different fiscal year ends result in inconsistencies in amounts reported as due to or due from, transfer to or transfer from, and so forth, is the nature and amount of those transactions disclosed? [GASB 14, par. 60 (GASB Cod. Sec. 2600.123)]

27. Is the fiscal year of the component units included in the reporting entity consistent from year to year, and changes in fiscal years disclosed? [GASB 14, par. 60 (GASB Cod. Sec. 2600.123)]

28. Do the notes to the reporting entity’s financial statements include a brief description of the component units of the financial reporting entity and their relationships to the primary government that includes:
   a. A discussion of the criteria of including the component units in the financial reporting entity?
   b. How the component units are reported?
   c. Information about how the separate financial statements for the individual component units may be obtained? [GASB 14, par. 61 (GASB Cod. Sec. 2600.124)]

29. Does the reporting entity’s GPFS include the following disclosures:
a. The fund types and account groups of the primary government including its blended component units?

b. Individual discretely presented component units considering both:
   (1) The unit's significance relative to the total discretely presented component units?
   (2) The nature and significance of the unit's relationship to the primary government?
   [GASB 14, par. 63 (GASB Cod. Sec. P50.107)]

30. If the financial statements present only the data of the primary government, is it acknowledged that they do not include the data of the component units necessary for reporting in conformity with generally accepted accounting principles?
   [GASB 14, par. 64 (GASB Cod. Sec. 2600.127)]

31. Do the separately issued financial statements of a component unit acknowledge that it is a component unit of another government?
   [GASB 14, par. 65 (GASB Cod. Sec. 2600.128)]

32. In Step 31. above, do the notes to the financial statements identify the primary government in whose financial reporting entity it is included and describe its relationship with the primary government?
   [GASB 14, par. 65 (GASB Cod. Sec. 2600.128)]

K. Pensions

Separately Issued Public Employee Retirement System (PERS) Reports—Defined Benefit Pension Information

1. For pension disclosures in separately issued PERS financial reports or within a report by the state or local government whose financial reporting entity includes the PERS as a pension trust fund or discretely presented component unit, do the notes to the financial statements disclose the following:
   a. Plan Description
      (1) Identification of the PERS as the administrator of a single-employer, agent multiple-employer, or cost sharing multi-employer plan, the reporting entity, if any, of which it is a component unit, and the number and types of contributing employers and nonemployer contributors?
      (2) 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 nonvested active employees covered by the plan?
      (3) A brief statement about 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?
      [GASB 5, par. 30a, as amended by GASB 14 (GASB Cod. Sec. Pe6.130a)]
   b. Summary of Significant Accounting Policies and Plan Asset Matters
      (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 (also, the effects on the amount of net assets available for benefits of any
      (2) Investments (other than U.S. government and U.S. government guaranteed obligations) in any one organization that represent 5 percent or more of net assets available for benefits?
(3) Investments in, loans to, or leases with any PERS official, governmental employer official, party related to a PERS official or governmental employer official, nonemployer contributor or organization included in the reporting entity of any participating employer (loans to employees from their own contributions, permitted by the terms of the plan, should not be listed)?

Yes No N/A

[GASB 5, par. 30b, as amended by GASB 14 (GASB Cod. Sec. Pe6.130b)]

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 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?

(2) Date of the actuarial valuation performed to determine the pension benefit obligation?

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

(4) Pension benefit obligation in total and segregated as follows:

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

(ii) Current employees—

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

(b) Employer-financed vested?

(c) 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 (if assets are valued at other than market, the market value should be disclosed)?

(6) Difference between the total amounts in Steps (4) and (5) above 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) actuarial assumptions or (2) benefit provisions?

[GASB 5, par. 30c, as amended by GASB 14 (GASB Cod. Sec. Pe6.130c)]

d. Contributions Required and Contributions Made

(1) Funding policy, including the role of actuarially determined contribution requirements in carrying out that policy?

(2) If contribution requirements are actuarially determined, are the following disclosures made:

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

(ii) A statement 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?

---

\(^2\) 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.
(iii) 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)?

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(iv) 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?

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(3) If contribution requirements are not actuarially determined, are the following disclosed:

(i) The fact that the contribution requirement is not actuarially determined?

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(ii) How the requirement is established (e.g., a rate established by law)?

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(iii) Whether an actuary is used to determine the actuarial implications of the requirement (e.g., period of amortization of the unfunded actuarial accrued liability), and what those implications are?

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(iv) 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)?

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

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[e. Location of the 10-year historical trend information required to be disclosed by paragraph 32 of GASB 5, and an explanation that this provides information about progress made in accumulating sufficient assets to pay benefits when due? [GASB 5, par. 30e, as amended by GASB 14 (GASB Cod. Sec. Pe6.130e)]

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f. 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)]

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

(1) 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 the unfunded (assets in excess of) pension benefit obligation, annual covered payroll, and the former expressed as a percentage of the latter?

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

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<th>Yes</th>
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(3) Except for agent multiple-employer PERS, employer contributions expressed both as dollar amounts and as percentages of annual covered payroll (the disclosure should state whether contributions are made in accordance with actuarial requirements)?

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(4) If contributions actually made for particular years differ from actuarial or legal requirements, both the contribution made and the contribution required should be presented for those years?

(5) 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 Steps (1) through (4) above for the year in which the changes are made?

[GASB 5, par. 32 (GASB Cod. Sec. Pe6.132)]

Employer Financial Reports—Defined Benefit Pension Information—Single-Employer, and Agent Multiple-Employer Plans

2. Do the notes to the financial statements disclose the following information for each single-employer PERS and each agent multi-employer PERS to which the employer contributes:

   a. Plan Description

   (1) Identification of the PERS to which contributions are made as single-employer or agent multi-employer?

   (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, 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?

   [GASB 5, par. 35a (GASB Cod. Sec. P20.125a)]

   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)?

   [GASB 5, par. 35b (GASB Cod. Sec. P20.125b)]

   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? 3

   (3) Significant actuarial assumptions used to compute the pension benefit obligation, including rate of return on investment 4 of present and future assets (discount rate), projected salary increases due to (a) inflation and (b) merit or seniority, and postretirement benefit increases?

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

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

     (ii) Current employees—

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

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

(i) The method used to value assets for PERS balance sheet purposes?  

(ii) If assets are valued at other than market, disclosure of the market value?  

(6) Difference between the total amounts in Steps (4) and (5) above 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:  

(i) Actuarial assumptions? or  

(ii) Benefit provisions?  

[GASB 5, par. 35c (GASB Cod. Sec. P20.125c)]

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, are the following disclosures made:  

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

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

(iii) 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?  

(iv) 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, are the following disclosures made:  

(i) The fact that the contribution requirement is not actuarially determined?  

(ii) How the requirement is established (e.g., a rate established by law)?  

(iii) Whether an actuary is used to determine the actual implications of the requirement (e.g., period of amortization of the unfunded actuarial accrued liability), and what those implications are?  

(iv) The amount of the contribution requirement and the contribution actually made by employer and employees (also both the employer and employee contribution actually made as percentages of current year covered payroll)?  

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

[GASB 5, par. 35d (GASB Cod. Sec. P20.125d)]
e. Three-Year Historical Trend Information (Until three years' data are available, as many 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 are made in accordance with actuarially determined requirements)?  

[GASB 5, par. 35e (GASB Cod. Sec. P20.125e)]

f. Reference to 10-year historical trend information in separately-issued PERS reports (or in employer reports, see Step g. below) 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. P20.125f)]

g. Is the following required 10-year trend information disclosed:

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

(2) Pension benefits obligation and the net assets available for benefits expressed as a percentage of the pension benefit obligation?  

(3) 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?  

(4) 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. P20.126)]

Single Employer PERS Included as a Pension Trust Fund in the Employer Reporting Entity—Defined Benefit Pension Information

3. 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 disclose the following:

a. A single set of disclosures representing a combination of the disclosures required by Steps K.1. and K.2. above adapted to cover both the PERS and the employer?  

b. To satisfy the requirements of Step K.2.f. above, reference should be made 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. P20.127)]

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

4. Does the employer reporting entity combine the disclosure requirements of:

a. Step K.1.—"Separately Issued PERS Reports—Defined Benefit Information"?  


c. Step K.2.f.—certain 10-year historical information?  

d. Step K.5. (below)—"Employers Contributing to Cost-Sharing Multi-Employer PERS—Defined Benefit Pension Information"?  

[GASB 5, par. 38 (GASB Cod. Sec. P20.128)]
Employers Contributing to Cost-Sharing Multi-Employer PERS—Defined Benefit Pension Information

5. Does the employer disclose in its notes to financial statements the following information for each cost-sharing multi-employer PERS to which it contributes:

   a. Identification of the PERS as a cost-sharing multiple-employer PERS?

   b. Amount of the employer’s current-year covered payroll and the employer’s total current-year payroll for all employees?

   c. 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?

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

   e. 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, 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?

   f. 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?

   g. 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)?

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

   i. 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?

   j. 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)?

Component Units’ Pension Information in the Reporting Entity’s Financial Reports—Defined Benefit Pension Information

6. a. When separate financial reports of component units are publicly available (containing the pension disclosures required by GASB 5), are the reporting entity’s disclosures minimized by referring to those reports and providing condensed data?

   [GASB 5, par. 40 (GASB Cod. Sec. P20.130)]

   b. Are the disclosure requirements in Step K.2. above limited to the following:

      (1) Pension benefit obligation?

      (2) Net assets available for benefits?

---

5 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 paragraph 39g of GASB 5. That allocation should be based on the percentage required to be disclosed in paragraph 39h, and the method of allocation should be disclosed.
(3) A statement indicating whether actuarially determined employer contribution requirements are met?  
[GASB 5, par. 40 (GASB Cod. Sec. P20.130)]

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Yes
No
N/A

c. Are Step K.5 disclosures (employers contributing to cost-sharing multi-employer PERS) limited to a statement that actuarially determined contribution requirements are met and that the contributions are 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. P20.130)]

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Yes
No
N/A

Noncontributing Employers—Defined Benefit Pension Information

7. a. 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 paragraph 11 of GASB 5, does the employer disclose in its notes to financial statements the following information for each of those situations:

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Yes
No
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(1) Name of the entity making contributions on behalf of its employees and the amount of the contribution?  

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Yes
No
N/A

(2) Types of employees covered and employee eligibility requirements, including eligibility for vesting?  

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Yes
No
N/A

(3) The employer's total current-year payroll for all employees, and its current-year covered payroll for that plan?  

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Yes
No
N/A

(4) Employee and nonemployer contributor obligations to contribute and the authority under which those obligations are established?  
[GASB 5, par. 41 (GASB Cod. Sec. P20.131)]

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Yes
No
N/A

b. If the legal responsibility for making contributions remains with the participating employer but another entity pays the annual employer contribution directly to the PERS as a matter of convenience, does the entity comply with the disclosure requirements of Steps K.2.—5. above, which apply to the participating employer?  
[GASB 5, par. 41 (GASB Cod. Sec. P20.131)]

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Yes
No
N/A

Unfunded Pension Arrangements—Defined Benefit Pension Information

8. If the defined benefit pension arrangement is not being funded and no contributions are made from any source before benefits are actually paid to retirees and other beneficiaries, does the employer disclose its pension obligations?  

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Yes
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a. Are the disclosure requirements in Steps K.2.—5. above followed?  
[GASB 5, par. 42 (GASB Cod. Sec. P20.132)]

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Yes
No
N/A

Reporting by Nonemployer Contributors—Defined Benefit Pension Information

9. Are the following disclosures considered for each nonemployer contributor:

<p>| | | |</p>
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Yes
No
N/A

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

<p>| | | |</p>
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</table>

Yes
No
N/A

b. If the nonemployer contributor is legally responsible for contributions to a single-employer or agent multi-employer PERS, disclosure about its participation in the PERS in accordance with Steps K.2.—4. above, as appropriate?  

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Yes
No
N/A

c. If the nonemployer contributor is responsible for making contributions to a cost-sharing multi-employer PERS, disclosures that conform to the requirements of Step K.5.?  

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Yes
No
N/A

d. Disclosures in accordance with Steps K.2.a.(2) and K.5.b. 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. P20.133)]

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Yes
No
N/A

23
Defined Contribution Pension Information

10. Are the following disclosures considered for each defined contribution pension plan?

a. If applicable, that the pension plan has characteristics of both a defined benefit plan and a defined contribution plan? [GASB 5, par. 45 (GASB Cod. Sec. P20.136)]

b. If the substance of the plan is to provide a defined benefit in some form, disclosures in accordance with Steps K.1.—9. above? [GASB 5, par. 45 (GASB Cod. Sec. P20.136)]

L. Postemployment Benefits Other Than Pensions

1. Does an employer that provides other postemployment benefits (OPEB) disclose, as a minimum, the following information, either separately for one or more types of benefits or in the aggregate for each OPEB:

a. A description of the OPEB provided; employee groups covered; eligibility requirements; and the employer and participant obligations to contribute, quantified in some manner (e.g., the approximate percentage of the total obligation to contribute that is borne by the employer and the participants, respectively, or the dollar or percentage contribution rates)?

b. A description of the statutory, contractual, or other authority under which OPEB provisions and obligations to contribute are established?

c. A description of the accounting and financing or funding policies followed (e.g., a statement that the employer's contributions are financed on a pay-as-you-go basis or are advance-funded on an actuarially determined basis)?

d. If OPEB are advance-funded on an actuarially determined basis:
   (1) The actuarial cost method and significant actuarial assumptions (including the interest rate and, if applicable, the projected salary increase assumption and the health inflation assumption) used to determine funding requirements?

   (2) The method used to value plan assets?

e. The following expenditures/expenses information, depending on how OPEB are financed:
   (1) If OPEB are financed on a pay-as-you-go basis:
      (i) The amount of OPEB expenditures/expenses recognized during the period by the employer (net of participant contributions)?
      (ii) The number of participants currently eligible to receive benefits?
      (iii) If expenditures/expenses for OPEB cannot readily be separated from expenditures/expenses for similar types of benefits provided to active employees and their dependents, are reasonable methods to approximate OPEB expenditures/expenses used?
      (iv) If a reasonable approximation cannot be made, disclosure of the employer-stated OPEB expenditures/expenses that cannot be reasonably estimated?

   (2) If OPEB are advance-funded on an actuarially determined basis:
      (i) The number of active plan participants?
      (ii) The employer's actuarially required and actual contributions for the period (net of participant contributions)?
      (iii) The amount of net assets available for OPEB?
      (iv) The actuarially accrued liability and unfunded actuarially accrued liability for OPEB according to the actuarial cost method in use?
f. A description (and the dollar effect, if measurable) of any significant matters that affect the comparability of the disclosures required by paragraph 10 of GASB 12 with those for the previous period (e.g., a change in benefit provisions)?

   Yes No N/A

   [GASB 12, par. 10 (GASB Cod. Sec. P50.105)]

2. Does an employer who advance-funds postemployment health care benefits on an actuarially determined basis through a defined benefit PERS or plan that provides retirement income and who elects to apply the disclosure requirements of GASB Cod. Sec. P20, “Pension Activities—Employer Reporting,” to postemployment health care benefits, comply with the following requirements:

   a. Disclose the health inflation assumption in addition to other significant actuarial assumptions required by GASB Cod. Sec. P20?

   Yes No N/A

   [GASB 12, par. 11 (GASB Cod. Sec. P50.106)]

3. Are the disclosures required by Steps 1. and 2. above made for the reporting entity as a whole?

   Yes No N/A

   [GASB 12, par. 12 (GASB Cod. Sec. P50.107)]

4. If the employer believes aggregate disclosures would be misleading, are additional or separate disclosures made for one or more fund types or component units?

   Yes No N/A

   [GASB 12, par. 12 (GASB Cod. Sec. P50.107)]

M. Deferred Compensation Plans

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

   Yes No N/A

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

2. Is the following information disclosed:

   a. The fact that 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?

   Yes No N/A

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

N. Special Assessments

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 Cod. Sec. 2300 “Notes to Financial Statements,” as it applies to long-term debt?

   Yes No N/A

   [GASB 6, par. 20 (GASB Cod. Sec. S40.120)]

2. Do the notes identify and describe any guarantee, reserve or sinking fund established to cover defaults by property owners?

   Yes No N/A

   [GASB 6, par. 20 (GASB Cod. Sec. S40.120)]

3. Do the notes disclose the amount of special assessment receivables that are delinquent, if not separately displayed on the face of the financial statements?

   Yes No N/A

   [GASB 6, par. 20 (GASB Cod. Sec. S40.120)]
4. If the government is not obligated in any manner for special assessment debt, do the notes disclose the amount of the debt and the fact that the government is in no way liable for repayment but is only acting as agent for the property owners in collecting the assessments, forwarding the collections to bondholders, and initiating foreclosure proceedings, if appropriate?

<table>
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<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
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O. Public Entity Risk Pools

**Loss Contingencies**

1. If no accrual is made for an insured event, or if an exposure to loss exists in excess of the accrual, is a loss contingency disclosed if there is at least a reasonable possibility that a loss or an additional loss may incur?

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
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2. Does the disclosure indicate the nature of the contingency and give an estimate of the possible loss or range of loss or state that such an estimate cannot be made?

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
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3. If it is considered probable that an unreported claim will be asserted and there is a reasonable possibility that the outcome will be unfavorable, is the disclosure of this assertion made?

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
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4. Are the following matters related to public entity risk pools disclosed:

a. A description of the risk transfer or pooling agreement, including the rights and responsibilities of the pool participants?

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
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b. A brief description of the number and types of entities participating in the pool?

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
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c. The basis for estimating the liabilities for unpaid claims and claim adjustment expenses?

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
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d. A statement that the liabilities are based on the estimated ultimate cost of settling the claims, including the effects of inflation and other societal and economic factors?

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<thead>
<tr>
<th>Yes</th>
<th>No</th>
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e. The nature of acquisition costs capitalized, the method of amortizing those costs, and the amount of those costs amortized for the period?

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
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f. The face amount and carrying amount of liabilities for unpaid claims and claim adjustment expenses that are presented at present value in the financial statements and the range of annual interest rates used to discount those liabilities?

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
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g. Whether the pool considers anticipated investment income in determining if a premium deficiency exists?

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<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
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h. The nature and significance of excess insurance or reinsurance transactions to the pool’s operations, including reinsurance premiums ceded, and estimated amounts that are recoverable from reinsurers and that reduce the liabilities as of the balance-sheet date for unpaid claim and claim adjustment expenses?

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

i. A reconciliation of total claims liabilities, including an analysis of changes in aggregate liabilities for claims and claim adjustment expenses for the current fiscal year and the prior fiscal year in the following tabular format:

1. Amount of liabilities for unpaid claims and claim adjustment expenses at the beginning of each fiscal year?

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
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2. Incurred claims and claim adjustment expenses?

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

   (i) Provision for insured events of the current fiscal year?

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
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   (ii) Increase (decrease) in the provision for insured events of prior fiscal years?

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
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3. For payments:

   (i) Claims and claim adjustment expenses attributable to insured events of the current fiscal year?

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

(ii) Claims and claim adjustment expenses attributable to insured events of prior fiscal years?

(iii) Other items and provide all explanations of each material item?

(iv) Amount of liabilities for unpaid claims and claim adjustment expenses at the end of each fiscal year?

j. The aggregate outstanding amount of liabilities for which annuity contracts are purchased from third parties in the claimants' names and the related liabilities that are removed from the balance sheet?

[GASB 10, par. 49 (GASB Cod. Sec. Po20.145)]

Investments

5. For realized gains and losses on investments (except those that are accounted for as foreign currency or futures contracts hedges):
   a. Are they recognized in the operating statement as a component of other income?
   b. Is the amount of gains and losses separately disclosed, either by presenting it as a separate item in the operating statement or disclosing it in the notes to financial statements?
   c. Are they not deferred, either directly or indirectly?
   d. Are unrealized investment gains and losses reported as a separate component of equity?

[GASB 10, par. 46 (GASB Cod. Sec. Po20.142)]

Real Estate

6. Is real estate used in the pool's operations, classified either as an investment or as real estate used in the pool's operations, depending on its predominant use?

[GASB 10, par. 48 (GASB Cod. Sec. Po20.144)]

7. Are depreciation and other real estate operating costs classified as investment expenses or operating expenses consistent with the balance sheet classification of the related asset?

[GASB 10, par. 48 (GASB Cod. Sec. Po20.144)]

P. Entities Other Than Risk Pools

Governmental Funds

1. Are the amounts of claims and judgments, determined under SFAS 5, plus or minus the amounts recorded as long-term obligations, disclosed on the face of the financial statements or in the notes?

[NCGA 4, par. 16 (GASB Cod. Sec. C50.112)]

2. Are the amounts of contingent liabilities not requiring accrual disclosed in the notes?

[NCGA 4, par. 3 (GASB Cod. Secs. C50.114 and 1500.110)]

Proprietary Funds

3. Is disclosure of a loss contingency made when there is at least a reasonable possibility that a loss or an additional loss may be incurred?

4. Does the disclosure indicate the nature of the contingency and give an estimate of the possible loss or range of loss or state that such an estimate cannot be made?

[NCGA 4, par. 18 (GASB Cod. Sec. C50.115)]

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6 Annuity contracts used to settle claims for which the claimant has signed an agreement releasing the entity from further obligation and for which the likelihood that the pool will be required to make future payments on those claims is remote should not be included in this disclosure.

7 GASB Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, for entities other than pools, is effective for financial statements for periods beginning after June 15, 1994. Appendix A incorporates the reporting and disclosure requirements in that Statement and should be used by entities choosing to early adopt the provisions of that Statement.
II. Combined Balance Sheet

A. Titles, References, and Content
1. Is a combined balance sheet presented for all fund types and account groups? [NCGA 1, par. 145 (GASB Cod. Sec. 2200.11)]

2. Does the combined balance sheet have separate columns for each fund type and account group? [NCGA 1, par. 145 (GASB Cod. Sec. 2200.11)]

B. Cash and Investments
1. Are cash and investments segregated into individual funds? [AAG-SLG, par. 7.07]
2. Are restrictions on cash and investments disclosed? [SFAS 5, pars. 18—19 (AC C59.120)]
3. 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? [AAG-SLG, par. 7.08]
   b. Is the method used to allocate income from investment or pooled cash disclosed? [AAG-SLG, par. 7.09]
4. For Investments Including Repurchase Agreements—
   a. Is disclosure 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 the difference in authorized investment types disclosed if the types of investments authorized for different funds, fund types, blended component units, or discretely presented component units differ significantly from those authorized for the primary government, and those funds, fund types, or component units have material investment activity? [GASB 3, par. 65, as amended by GASB 14 (GASB Cod. Sec. I50.161)]
   c. Is disclosure made of significant violations during the period of legal or contractual provisions for deposits and investments? [GASB 3, par. 66 (GASB Cod. Sec. I50.162)]
   d. If the 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, is this fact disclosed? [GASB 3, par. 67 (GASB Cod. Sec. I50.163)]
   e. If the bank balances of deposits as of the balance-sheet date are not entirely insured or collateralized with securities held by the entity, are the following 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:
         (i) Insured or collateralized with securities held by the entity or by its agent in the entity’s name?
         (ii) Collateralized with securities held by the pledging financial institution’s trust department or agent in the entity’s name?
         (iii) Uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the entity’s name)? [GASB 3, par. 67 (GASB Cod. Sec. I50.163)]
f. 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?
   [GASB 3, par. 68 (GASB Cod. Sec. I50.164)]

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   g. Are the carrying amounts of investments for each of the following three categories of credit risk disclosed:
      (1) Insured or registered or securities held by the entity or its agent in the entity’s name?
      (2) Uninsured and unregistered, with securities held by the counterparty’s trust department or agent in the entity’s name?
      (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the entity’s name?
   [GASB 3, par. 68 (GASB Cod. Sec. I50.164)]

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<th>Yes</th>
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   h. If unrealized investment losses in one or more component units or funds are not apparent because of unrealized investment gains in the remaining funds, are the carrying amounts and market value of that unit’s or fund’s total investments disclosed?
   [GASB 3, par. 71, as amended by GASB 14 (GASB Cod. Sec. I50.167)]

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

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   j. If uncollateralized deposits or uninsured, unregistered securities held by the counterparty, or by the trust department or agent not in the entity’s name during the period 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)]

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   k. 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)]

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   l. 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)]

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<th>Yes</th>
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   m. In connection with reverse repurchase agreements:
      (1) For reverse repurchase agreements other than yield maintenance agreements that are outstanding as of the balance-sheet date, is the credit risk related to the agreements disclosed?
   [GASB 3, par. 78 (GASB Cod. Sec. R10.110)]

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

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

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<th>Yes</th>
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C. Notes and Accounts Receivable

1. Are notes or accounts receivable due from affiliated enterprises disclosed separately?
   [ARB 43, Ch. 1A, par. 5 (AC R36.105)]
2. If a note is noninterest bearing or has an inappropriate stated interest rate:
   a. Is the discount or premium presented as a deduction from or addition to the face amount of the note? [APB 21, par. 16 (AC I69.109)]
   b. Does the disclosure include the effective interest rate and face amount of the note? [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)]

3. Are the amounts due to a fund from other funds, as well as the amounts owed to other funds, reflected in the fund accounts and in fund financial statements and not offset? [NCGA 1, par. 22 and fn. 5 (GASB Cod. Sec. 1300.110)]

4. Are the amounts of interfund receivables and payables disclosed by the fund? [AAG-SLG, par. 8.21]

5. Are property tax assessments recognized in the fiscal period levied (provided they will be collected in the current period or within 60 days thereafter)? [NCGAI 3, pars. 6 and 8 (GASB Cod. Sec. P70.103)]

6. If, because of unusual circumstances, the facts justify the collection period to exceed 60 days, does the entity disclose the period used and the facts that justify the recording practice used? [NCGAI 3, pars. 6 and 8 (GASB Cod. Sec. P70.103); AAG-SLG, par. 8.11]

D. Inventories

1. Are significant amounts of inventory reported on the balance sheet? [NCGA 1, par. 73, as amended by GASB 6, par. 15 (GASB Cod. Sec. 1600.122)]

2. Is the basis for stating inventories disclosed, including the method of determining cost? [ARB 43, Ch. 3A, par. 9 and Ch. 4, par. 15 (AC I78.120)]

3. If substantial and unusual losses result from write-down to market values, are these 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. Investments and Joint Ventures

1. Are the following disclosures applicable to the equity method of accounting for investments in common stock made:
   a. The name of each investee and percentage of ownership or other manifestation of significant influence? [APB 18, par. 20 (AC I82.110)]
   b. Accounting policies of the entity relative to equity method investments? [APB 18, pars. 19c and d (AC I82.109c and d)]
   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? [APB 18, par. 20 (AC I82.110)]

2. Proprietary funds
a. Does the "investment in joint venture" account reported in a proprietary fund report the participating government's equity interest calculated in accordance with the joint venture agreement?  
   Yes  No  N/A

b. Is the equity interest reported in the proprietary fund's balance sheet as a single amount?  
   Yes  No  N/A

c. Is the fund's share of the joint venture's net income or loss reported in its operating statement as a single amount?  
   Yes  No  N/A

[Gasb 14 par. 73 (Gasb Cod. Sec. J50.106)]

3. Governmental funds

a. Is all or a portion of the equity interest reported in the general fixed asset account group in accordance with the joint venture agreement?  
   Yes  No  N/A

b. Is the amount reported in the general fixed asset account group the total equity adjusted for any portion of the equity adjusted for any portion of the equity interest that is included in the balance sheet of the governmental fund?  
   Yes  No  N/A

c. Do governmental fund operating statements report changes in joint venture equity only to the extent that the amounts received or receivable from the joint venture or the amounts paid or payable to the joint venture satisfy the revenue or expenditure recognition for governmental funds?  
   Yes  No  N/A

[Gasb 14, par. 74 (Gasb Cod. Sec. J50.107)]

4. Regardless of whether there is an equity interest, do joint venture government participant organizations disclose the following in the notes to the financial statements:

a. A general description of each joint venture, including:
   (1) A description of the participating government's ongoing financial interest (including its equity interest, if applicable) or ongoing financial responsibility?  
      Yes  No  N/A

   (2) Enough information to allow the reader to evaluate whether the joint venture is accumulating significant financial resources or is experiencing fiscal stress that may cause an additional financial benefit or burden on the participating government in the future?  
      Yes  No  N/A

   (3) Information about the availability of separate financial statements of the joint venture?  
      [Gasb 14, par. 75 (Gasb Cod. Sec. J50.108)]

   (4) Disclosure of any other information required for related-party transactions?  
      [Gasb 14, par. 75 (Gasb Cod. Sec. J50.108)]

5. For joint building or finance authorities, if the capital assets are leased back to the participating government, does the government report its respective shares of the assets, liabilities, and operations of the joint venture?  
   Yes  No  N/A

[Gasb 14, par. 76 (Gasb Cod. Sec. J50.109)]

F. Jointly Governed Organizations

1. If a government joint venture participant does not retain an ongoing financial interest or responsibility in the joint venture, are the disclosures required for related-party transactions made?  
   Yes  No  N/A

[Gasb 14, par. 77 (Gasb Cod. Sec. J50.110)]

31
G. Component Units and Related Organizations with Joint Venture Characteristics

1. If the participant appoints a voting majority of the organization’s governing body (and joint control is precluded because the participant has the ability to make decisions unilaterally) and the organization is either a component unit or a related organization of that participating government, is that organization included in that participating government’s financial statements?

2. Do the other (minority) participants disclose the nature of their participation in the organization?

3. Does the organization itself, when included as a component unit in the majority participant’s financial reporting entity, report any equity interests of the minority participants as fund balance or retained earnings “reserved for minority interests”?

4. If a jointly controlled organization is considered a component unit of one of the participating governments because of fiscal dependency, is proper disclosure made?

[HASB 14, par. 78 (HASB Cod. Sec. J50.111)]

H. Undivided Interests

1. Does a government that participates in an undivided interest (no entity or organization is created by the participants and two or more parties own property in which title is held individually to the extent of each party’s interest) report its assets, liabilities, expenditures/expenses, and revenues that are associated with the joint operation?

2. If a separate organization is created but there is an undivided interest in specific assets and liabilities and equity interests in the other net resources of the organization (a hybrid arrangement), does the participant report its undivided interest?

[HASB 14, par. 80 (HASB Cod. Sec. J50.113)]

I. 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 (GFAAG) rather than in the governmental funds?

2. For assets capitalized in the GFAAG, are the following disclosures made 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 GFAAG (e.g., cost or estimated cost)?

   c. Whether infrastructure assets are included or excluded from the GFAAG?

   d. Whether depreciation is recorded in the GFAAG and, if so, the depreciable lives and methods of computation?

   e. A reconciliation of changes in the GFAAG during the year?

   f. Capitalization of interest during construction?

   g. Commitments under long-term construction projects?

   h. The status of capital grants?

   i. Pertinent data regarding capital and operating leases?

[HASB-SLG, par. 9.22]

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

   a. A breakdown of fixed assets by major classes?

   b. Changes in fixed assets by the various classes?

[AASB 12, par. 5 (AC D40.105b)]
c. The basis of donated fixed assets, which should be estimated fair market value at date of acquisition? [NCGA 1, par. 50 (GASB Cod. Sec. 1400.113)]

   Yes  No  N/A

   ______  ______  ______

d. If recording accumulated depreciation in the GFAAG is elected, is the accumulated depreciation account(s) increased and investment in general fixed assets account(s) decreased? [NCGA 1, par. 56 (GASB Cod. Sec. 1400.118)]

   ______  ______  ______

4. Regarding proprietary funds, is depreciation expense disclosed for the period? [APB 12, par. 5a (AC D40.105); NCGA 1 par. 53 (GASB Cod. Sec. 1400.115)]

   ______  ______  ______

5. Is the accounting policy for 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—consistently applied? [NCGA 1, par. 40 (GASB Cod. Sec. 1400.109)]

   ______  ______  ______

J. Lessors

1. For sales-type and direct financing leases, do disclosures include:
   a. Appropriate components of the net investment in the leases as of the date of each balance sheet presented? ______
   b. Future minimum lease payments to be received for each of the five succeeding fiscal years as of the date of the latest balance sheet presented? ______
   c. Total contingent rentals included in operations for each period for which a statement of revenues and expenditures is presented? ______
      [SFAS 13, par. 23a (AC L10.119a); NCGA 5, par. 27 (GASB Cod. Sec. L20.129)]
   d. For direct financing leases, the amount of initial direct costs as part of the investment? ______
      [SFAS 91, par. 25d (AC L10.119a.1)]

2. For operating leases, do disclosures include:
   a. Cost and carrying amount of property on lease or held for leasing by major classes and the amount of accumulated depreciation as of the date of the latest balance sheet presented? ______
   b. Minimum future rentals on noncancelable leases as of the date of the latest balance sheet presented in the aggregate and for each of the five succeeding fiscal years? ______
   c. Total contingent rentals included in operations for each period for which a statement of revenues and expenditures is presented? ______
      [SFAS 13, par. 23b (AC L10.119b)]

3. Do disclosures include a general description of the lessor's leasing arrangements? ______
   [SFAS 13, par. 23c (AC L10.119c)]

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

K. Intangible Assets

1. For proprietary funds, is the method and period of amortization for intangible assets disclosed? [APB 17, par. 30 (AC L10.111); APB 22, par. 13 (AC A10.106)]

   ______  ______  ______

L. Liabilities

1. Do financial statements disclose the nature of any restrictions on assets related to debt? [AAG-SLG, par. 11.27]

   ______  ______  ______

2. Are the following disclosures made related to debt:
   a. The nature of outstanding debt, including significant bond covenants? ______
   b. Debt service requirements to maturity? ______
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<th>Yes</th>
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<td>c. Details of capital leases?</td>
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<td>d. Amounts of authorized but unissued debt?</td>
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<td>e. Violations of significant bond covenants?</td>
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<td>f. Nature and amount of guarantees, contingent and moral obligations, and no-commitment debt?</td>
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<td>g. Changes in the amount of long-term obligations?</td>
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<tr>
<td>h. The amount of unpaid debt that has been defeased?</td>
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<tr>
<td>i. Debt incurred subsequent to the balance-sheet date but before the financial statements are issued?</td>
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<td>j. An existing or anticipated inability to pay debt when due?</td>
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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?

[NCGA 4, par. 17 (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?

[AAG-SLG, par. 10.17]

5. Do the financial statements disclose the following:

   a. Basis of accounting for expenditures and liabilities (e.g., modified accrual accounting)?
   b. Method of accounting for outstanding encumbrances at year-end?
   c. Contingent liabilities?
   d. The extent to which budgetary control is exercised?
   e. The basis of budgetary accounting?
   f. A reconciliation of budgetary basis of accounting for expenditures to financial statement basis (GAAP), if different?
   g. The carrying value and the method of accounting for such assets as inventory?

[AAG-SLG, par. 10.18]

6. Are significant categories 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)?

[NCGA 1 (GASB Cod. Sec. 1800)]

7. Are amounts payable from restricted assets separately presented in the financial statements, including:

   a. Construction contracts?
   b. Revenue Bonds?
   c. Fiscal Agent?
   d. Deposits?
   e. Accrued interest?

[NCGA 1, Appendix A, Example 1 (GASB Cod. Sec. 2200.903)]

8. If applicable, are the conversion features of convertible debt disclosed?

[Generally Accepted]

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, pars. 2—4 (AC B05.117 and B05.138—.139)]
10. If a short-term obligation is to be excluded from current liabilities per SFAS 6, do disclosures include:
   a. General description of the financing agreement? [Yes, No, N/A]
   b. Terms of any new obligation incurred or expected to be incurred, as a result of the refinancing? [Yes, No, N/A]
   [SFAS 6, par. 15 (AC B05.118); FASB 8, par. 3 (AC B05.117); TB 79-3 (AC B05.501—.503)]

11. For governmental funds, if all legal steps are 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 SFAS 6, are they shown as part of the General Long-Term Debt Account Group (GLTDAG)? [Yes, No, N/A]
   [NCGAI 9, par. 12 (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 enters into an arm’s-length financing (take out) agreement to convert bonds “put” but not resold into some other form of long-term obligation? [Yes, No, N/A]
   b. The take out agreement does not expire within one year from the date of the issuer’s balance sheet? [Yes, No, N/A]
   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? [Yes, No, N/A]
   d. The lender or the prospective lender or investor is expected to be financially capable of honoring the take out agreement? [Yes, No, N/A]
   [GASBI 1, par. 10 (GASB Cod. Sec. D30.108)]

13. If the conditions in Step 12. above are not met, are they reported as fund liabilities or, for proprietary funds, as current liabilities? [Yes, No, N/A]
   [GASBI 1, par. 10 (GASB Cod. Sec. D30.108)]

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? [Yes, No, N/A]
   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? [Yes, No, N/A]
   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? [Yes, No, N/A]
   d. The debt service requirements that would result if the take out agreement were to be exercised? [Yes, No, N/A]
   [GASBI 1, par. 11 (GASB Cod. Sec. D30.109)]

15. If a take out agreement is 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 GASB Cod. Sec. 2300, paragraph 104i? [Yes, No, N/A]
   [GASBI 1, par. 12 (GASB Cod. Sec. D30.110)]

16. If the conditions of Step 12. above 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? [Yes, No, N/A]
   [GASBI 1, par. 13 (GASB Cod. Sec. D30.111)]
17. If, because a take out agreement expires, it is necessary to report a fund liability for demand bonds previously reported as general long-term debt, is the liability recorded as a liability of the fund in which the proceeds of the issue were initially recorded with a corresponding debit to "other financing uses?"

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

18. If the answer to Steps 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?"

[GASB 1, par. 13 (GASB Cod. Sec. 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. Is debt considered to be 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?

   c. The debtor irrevocably places cash or other assets in a trust to be used solely for satisfying scheduled payments of both interest and principal of the defeased debt and the possibility that the debtor will be required to make future payments with respect to that debt is remote?

   [SFAS 76, par. 3 (AC D14.102A); GASB 7, par. 4 (GASB Cod. Sec. D20.103)]

21. If debt is considered to be extinguished (in an in-substance defeasance) under the provisions of SFAS 76, paragraph 3 (AC D14.102A(c)), are a general description of the transaction and the amount of debt that is considered extinguished at the end of the period disclosed so long as that debt remains outstanding?

   [SFAS 76, par. 6 (AC D14.108); GASB 7, pars. 1, 4 and 7 (GASB Cod. Secs. D20.101 and .103)]

22. For proprietary and similar fund types for which GASB 23 has not been adopted, 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?

   [NCGAI 9, par. 14, as amended by GASB 7 (GASB Cod. Sec. D20.107); APB 26, pars. 20—21, SFAS 4, par. 1 (AC D14.103—.104)]
   a. If the difference is material, is it disclosed as an extraordinary item?

   [SFAS 4, par. 8 (AC D14.107); NCGAI 9, par. 14, as amended by GASB 7 (GASB Cod. Sec. D20.107)]

23. 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?
   a. 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)]

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

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

26. In all periods following an advance refunding for which debt defeased in substance remains outstanding, is the amount outstanding at period-end disclosed?
   a. Do the disclosures distinguish between the primary government and its discretely presented component units as discussed in GASB 14 paragraphs 11 and 63?  
      [GASB 7, par. 14, as amended by GASB 14, par. 62 (GASB Cod. Sec. D20.114)]

27. Are long-term obligations that are or will be callable by the creditor (because the debtor's violation of the debt agreement at the balance-sheet date makes the obligation callable or because the violation, if not cured within a specified grace period, will make the obligation callable) classified as current unless one of the following conditions is met:
   a. The creditor waives or subsequently loses the right to demand repayment for more than one year (or operating cycle, if longer) from the balance-sheet date?  
   b. For long-term obligations containing 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)]

28. Is disclosure made of defaults in provisions of security, indenture, or credit agreements?  
   [SFAS 78, par. 5 (AC B05.109A)]

29. If a waiver is obtained for a stated period of time, is disclosure made of the period?  
   [SFAS 78, par. 5 (AC B05.109A)]

30. Are guarantees and other commitments included in liabilities?  
   [AAG-SLG, pars. 11.09— .12]

31. Are bonds, notes, and other long-term liabilities (e.g., 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 included in the accounts of such funds?  
   [NCGA 1, par. 42, as amended by NCGA 4, pars. 17 and 26, NCGA 8, pars. 9 and 11, GASB 6, par. 23, GASB 13, par. 7, NCGA 4 and NCGAI 8 (GASB Cod. Sec. 1500.102)]

32. Is one amount disclosed on the balance sheet as the total liabilities for each fund type?  
   [NCGA 1, par. 147 (GASB Cod. Sec. 2200.111)]

M. 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. 13 (AC L10.112a (1) and (5)); NCGA 5, par. 7 (GASB Cod. Sec. L20.103)]
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 for executory costs and imputed interest to reduce net minimum lease payments to present value? [SFAS 13, par. 16a (AC L10.112a (2))]  

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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 (3))]  

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e. Total contingent rentals incurred for each period for which a statement of revenue and expenditures is presented? [SFAS 13, par. 16a (AC L10.112a (4)), as amended by SFAS 29, par. 12]  

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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?  

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

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3. For all operating leases, do disclosures include:

a. 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)]  

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b. A general description of the lessee’s leasing arrangements including, but not limited to:

(1) Basis for determination of contingent rentals?  

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<th>Yes</th>
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(2) Terms of any renewal or purchase options or escalation clauses?  

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(3) Restrictive covenants? [SFAS 13, par. 16c and d (AC L10.112c and d)]  

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N. General Long-Term Debt

1. Are long-term liabilities of proprietary funds and trust funds accounted for through those funds? [NCGA 1, par. 42, as amended by GASB 6, par. 23, GASB 13, par. 7, NCGA 4, pars. 17 and 26, and NCGAI 8 pars. 9 and 11 (GASB Cod. Sec. 1500.102)]  

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2. Are other unmatured general long-term liabilities of the governmental unit accounted for through the GLTDAG? [NCGA 1, par. 43, as amended by NCGA 4, pars. 17 and 26, NCGAI 8, pars. 9 and 11, GASB 6, par. 17, GASB 13, par. 9, and GASBI 1, par. 10 (GASB Cod. Sec. 1500.103)]  

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3. Are the individual components of long-term debt classified appropriately as term bonds, serial bonds, and other general long-term liabilities? [NCGA 1, par. 45 (GASB Cod. Sec. 1500.105)]  

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4. For advance refundings resulting in defeasance of debt, is 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)]  

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O. Fund Balance

1. Is disclosure made of any deficit fund balance or deficit retained earnings of individual funds? [NCGAI 6, par. 4, as amended (GASB Cod. Sec. 2300.106)]  

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2. Is the designation “fund balance” only used in appropriate fund types (i.e., General, Special Revenue, Debt Service, Capital Projects, and Trust Fund types)? [NCGA 1, par. 147, as amended (GASB Cod. Sec. 2200.114)]  

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3. Are the fund balances (equity) of governmental funds classified as either reserved or unreserved?
   [AAG-SLG, par. 12.01]  

4. Are all changes in fund balances (equity) disclosed?
   [NCGA 1, par. 146 (GASB Cod. Sec. 2200.113); AAG-SLG, par. 12.11]  

5. Are any differences between opening fund balances and those previously reported disclosed?
   [APB 9, par. 26 (AC A35.107); NCGA 1, par. 152 (GASB Cod. Sec. 2200.117)]  

6. Is the retained earnings reserve only shown in proprietary funds, such as Enterprise and Internal Service Funds?
   [NCGA 1, par. 151, as amended by GASB 14 (GASB Cod. Sec. 2200.125)]  

7. Are contributed equity and retained earnings separately disclosed in proprietary fund types?
   [GASB Cod. Sec. 2200.9.02—9.03]  

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?
   [NCGA 1, Appendix A, Example 1; GASB 6, par. 13, (GASB Cod. Sec. 2200.903)]  

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

A. General

1. Is a combined statement titled “Combined Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Fund Types and Discretely Presented Component Units” presented?
   [NCGA 1, par. 139, as amended by GASB 14, pars. 19 and 50; GASB 5, par. 7; GASB 9, par. 6 (GASB Cod. Sec. 1900.116) and NCGA 1, par. 147, as amended by GASB 14, pars. 19, 45, and 46 (GASB Cod. Sec. 2200.110)]  

2. Is the primary classification of governmental fund revenues disclosed by fund and source?
   [NCGA 1, par. 110 (GASB Cod. Sec. 1800.115)]  

3. Does the summary 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?
   [NCGA 2, par. 5, as amended by GASB 6, par. 13 (GASB Cod. Sec. G60.103)]  

4. 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?
   [NCGA 1, par. 147 (GASB Cod. Sec. 2200.114)]  

5. Is a separate column used for each governmental fund type, discretely presented component unit, and similar trust fund used that shows the combined data for all such funds?
   [NCGA 1, par. 147, as amended by GASB 14, pars. 19, 45 and 46 (GASB Cod. Sec. 2200.110)]  

6. If the combined statement contains a total column that aggregates the columnar statements by fund types and account groups, is it captioned “Memorandum Only,” and is there a note explaining:
   a. That this column is presented for information only?
   [AAG-SLG, par. 18.10; GASB 14, par. 49 (GASB Cod. Sec. 2200.117)]
7. Are interfund transfers and proceeds of long-term debt, including capital leases, classified separately from fund revenues and expenditures? 
[NCGA 1, par. 100 (GASB Cod. Sec. 1800.101) and NCGA 1, par. 105; SOP 77-2, par. 4; NCGA 1, par. 106, fns. 18 and 19; NCGA 1, par. 107, as amended by GASB 6, par. 13 (GASB Cod. Sec. 1800.106—.109)]

8. Are any grants, entitlements and shared revenues that may be used in more than one fund at the discretion of the recipient, accounted for in an agency fund pending final determination? 
[NCGA 2, par. 9 (GASB Cod. Sec. G60.107)]

9. Are the assets being held in agency funds pending a determination of the fund(s) to be financed disclosed in the notes to financial statements? 
[NCGA 2, par. 9 (GASB Cod. Sec. G60.107)]

B. Property Taxes
1. Do the financial statements or notes disclose that property taxes are recorded on the modified accrual basis? 
[NCGA 1, par. 63; NCGAI 3, pars. 4, 6 and 8 (GASB Cod. Secs. P70.102—.103)]

2. If the governmental entity desires to exclude some property tax revenues from appropriation to protect cash liquidity, is this restricted revenue disclosed by a designation of fund balance and an appropriate note? 
[NCGAI 3, par. 10 (GASB Cod. Sec. P70.105)]

3. Are the following details of the governmental unit’s property tax calendar disclosed:
   a. Lien dates?
   b. Levy dates?
   c. Due dates?
   d. Collection dates? 
   [NCGAI 3, par. 11 (GASB Cod. Sec. P70.109)]

C. Grants, Entitlements, or Shared Revenues
1. Is the basis for recording grants, entitlements, or shared revenues disclosed? 
[NCGAI 6, par. 5, as amended (GASB Cod. Sec. 2300.107m)]

D. Construction-Type Contracts
1. Is the method selected for recognizing profits under contracts disclosed? 
[ARB 45, par. 15 (AC Co4.110—.112); APB 22, par. 13 (AC A10.106); SOP 81-1, par. 21]

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

3. Are claims in excess of the agreed contract price disclosed? 
[SOP 81-1, pars. 65—67]

E. Expenditures
1. Are expenditures classified by function or program? 
[NCGA 1, par. 111 (GASB Cod. Sec. 1800.116)]

2. Are the expenditures further classified by character (e.g., current capital outlays and debt service)? 
[NCGA 1, par. 115 (GASB Cod. Sec. 1800.120)]

3. Are inventory items (materials and supplies) considered expenditures, either when purchased (purchase method) or when used (consumption method) (significant amounts of inventory should be reported in the balance sheet)?
4. Is the method of accounting for expenditures for insurance and similar services that extend over more than one accounting period disclosed?
[NCGA 1, par. 73, as amended by GASB 6, par. 15 (GASB Cod. Sec. 1600.122b)]

5. If debt service fund resources are provided during the current year for payment of principal and interest due early in the following year, are expenditure and related liability recognized in the debt service fund and is the debt principal amount removed from the GLTDAC, or is disclosure made of subsequent year debt service requirements?
[NCGA 1, par. 72, GASB 6, pars. 15 and 17 (GASB Cod. Sec. 1600.121)]

F. Depreciation
Is the policy of not recording depreciation expense followed in all governmental funds?
[NCGA 1, par. 54 (GASB Cod. Sec. 1400.116)]

G. Transfers
1. Are residual equity transfers reported as additions to or deductions from the beginning fund balance?
2. Are operating transfers reported in the “Other Financing Sources (Uses)” section in the statement?
[NCGA 1, par. 106, fns. 18 and 19 (GASB Cod. Sec. 1800.107)]

H. Budgetary Reporting
1. Are differences between the budgetary basis and GAAP (as well as other differences) explained in the notes to financial statements?
[NCGA 1, par. 154 and NCGAI 10, pars. 15—25 (GASB Cod. Secs. 2400.104 and 2400.113—123)]
2. 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 nonbudgeted financial activities?
[NCGAI 10, par. 13 (GASB Cod. Sec. 2400.111)]
3. When a separate budgetary report is prepared, do the notes to the general purpose financial statements make reference to that report?
[NCGAI 10, par. 14 (GASB Cod. Sec. 2400.112)]

IV. Combined Statement of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual—General and Special Revenue Fund Types
A. General
1. Is the combined statement titled as shown above for the general fund, all special revenue funds, and other governmental fund types for which annual budgets are legally adopted?
[NCGA 1, par. 153 (GASB Cod. Sec. 2400.102)]
2. Is a separate column used for each governmental fund type presented showing combined results for all funds of that type?
[NCGA 1, par. 147 (GASB Cod. Sec. 2200.110)]
3. Are differences between the budgetary basis and GAAP (as well as other differences) explained in the notes to financial statements?
[NCGA 1, par. 154 and NCGAI 10, pars. 15—25 (GASB Cod. Secs. 2400.104 and 2400.113—123)]
4. 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 nonbudgeted financial activities?
[NCGAI 10, par. 13 (GASB Cod. Sec. 2400.111)]
V. Combined Statement of Revenues, Expenses, and Changes in Retained Earnings (or Equity)—All Proprietary Fund Types (and Similar Trust Funds)

A. General

1. Is a statement titled “Combined Statement of Revenues, Expenses, and Changes in Retained Earnings (Or Equity)—All Proprietary Fund Types” presented?
[NCGAI 1, par. 147 (GASB Cod. Sec. 2200.114)]

2. Does the statement include all proprietary fund types and similar trust funds?
[NCGAI 1, par. 167; SOP 80-2, par. 4; GASB 5, par. 7; and GASB 9, par. 6 (GASB Cod. Sec. 2200.138)]

3. Is a separate column used for each proprietary fund type showing combined results for all funds of that type?
[NCGAI 1, par. 147 (GASB Cod. Sec. 2200.114)]

4. If a total column is shown, is it captioned “Memorandum Only,” with disclosure in a note:
   a. That this column is presented for information only?
   b. If interfund balances and transactions have been eliminated?
   [AAG-SLG, par. 18.10; GASB 14, par. 49 (GASB Cod. Sec. 2200.117)]

5. Are the major sources of operating and nonoperating revenues and expenses shown separately on the statement?
[NCGAI 1, par. 117 (GASB Cod. Sec. 1800.122)]

6. Is disclosure made regarding the entity’s policy for recognizing proprietary and nonexpendable pension and trust fund revenues and expenses?
[NCGAI 1, par. 74 (GASB Cod. Sec. 1600.125)]

7. If sales or revenues are made on the installment or other deferred basis, is the method of recognizing income disclosed?
[NCGAI 1, par. 66 (GASB Cod. Sec. 1600.116)]

B. Extraordinary Items

1. Is gain or loss resulting from an involuntary conversion of a nonmonetary asset to a monetary asset classified as either an extraordinary item or as an unusual or infrequent item, whichever is applicable?
[FASB I 30, par. 4 (AC N35.118)]

2. For those units that do not adopt GASB 23 and gains or losses from extinguishment of debt classified as extraordinary items, is disclosure made describing the extinguishment transaction, including the source(s) of any funds used to extinguish the debt (if it is practicable to identify the sources)?
[NCGAI 9, par. 14, as amended by GASB 7 (GASB Cod. Sec. D20.107)]

3. Are the following disclosures considered:
   a. Material events or transactions that do not meet the criteria for classification as an extraordinary item, reported as a separate component of income from continuing operations?
   [APB 30, par. 26 (AC I22.101)]
   b. The nature and financial effect of each transaction or event?
   [APB 30, par. 26 (AC I22.101)]

4. Do disclosures include descriptions of an extraordinary event or transaction and the principal items entering into the determination of extraordinary gain or loss?
[APB 30, par. 11 (AC I17.102)]

5. Are all extraordinary items segregated from results of ordinary operations?
[APB 30, par. 10]
6. 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. Interest
1. Is the following information with respect to interest cost disclosed:
   a. If no interest cost is capitalized, the amount of interest cost incurred and charged to expense during the period? ______  ______  ______
   b. If some interest cost is capitalized, the total amount of interest cost incurred during the period and the amount thereof that is capitalized? [SFAS 34, par. 21 (AC I67.118)] ______  ______  ______

D. Residual Equity and Operating Transfers
1. Are residual fund transfers reported as additions to contributed capital or as reductions of retained earnings or contributed capital as appropriate in the circumstances? ______  ______  ______
2. Are operating transfers reported in the “Operating Transfers Section” of the statement? [NCGA 1, par. 106, fns. 18 and 19 (GASB Cod. Sec. 1800.107)] ______  ______  ______

E. Depreciation
1. Are the following disclosures made in the financial statements or in notes thereto (depreciation is provided on property and equipment recorded in proprietary funds):
   a. Depreciation expense for the period? ______  ______  ______
   b. Balance of major classes of depreciable assets, by nature or function at the balance-sheet date? ______  ______  ______
   c. Accumulated depreciation, either by major classes of depreciable assets or in total at the balance-sheet date? ______  ______  ______
   d. A general description of the method or methods used in computing depreciation with respect to major classes of depreciable assets? [NCGA 1, pars. 52—53 (GASB Cod. Sec. 1400.114—.115); APB 12, par. 5 (AC D40.105)] ______  ______  ______

F. Futures Contracts
1. If the enterprise enters into futures contracts that are accounted for as hedges, are the following disclosed:
   a. The nature of the assets, liabilities, firm commitments, or anticipated transactions that are hedged with futures contracts? ______  ______  ______
   b. Method of accounting for the futures contracts, including 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)] ______  ______  ______

G. Research and Development Costs
1. Is disclosure 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)] ______  ______  ______

H. Changes in Fund Balances/Retained Earnings
1. Is disclosure made of changes in all fund balances/retained earnings? [APB 12, par. 10 (AC Co8.102); NCGA 1, par. 147 (GASB Cod. Sec. 2200.114)] ______  ______  ______

I. Segment Information
1. Are segment disclosures made for all "major nonhomogeneous" enterprise funds?  
[NCGAI 2, par. 4 (GASB Cod. Sec. 2500.104)]

2. If segment disclosures are necessary to make the GPFS not misleading, are they presented?  
[NCGAI 2, par. 4 (GASB Cod. Sec. 2500.104)]

3. Are the following segment disclosures disclosed:
   a. Material intergovernmental operating subsidies to an enterprise fund?  
   b. Material intragovernmental operating subsidies to or from an enterprise fund?  
   c. Material enterprise fund tax revenues?  
   d. A material enterprise fund operating income or loss?  
   e. A material enterprise fund net income or loss?  
   [NCGAI 2, par. 5 (GASB Cod. Sec. 2500.105)]

4. Are the following disclosures 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. Any other material facts necessary to make the GPFS not misleading?  
   [NCGAI 2, par. 7 (GASB Cod. Sec. 2500.107)]

VI. 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"?  
   [NCGA 1, par. 156; GASB 9, par. 6 (GASB Cod. Sec. 2200.116)]

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 (GASB Cod. Sec. 2450.103)]

   2. Is 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 presented?  
   [GASB 9, par. 7 (GASB Cod. Sec. 2450.104)]
3. Are changes in cash and cash equivalents, regardless of whether there are restrictions on their use, disclosed?  
   Yes  No  N/A

4. Does the statement use a descriptive term, such as "cash" or "cash and cash equivalents," rather than the term "funds'?  
   [GASB 9, par. 8 (GASB Cod. Sec. 2450.105)]

5. Does the entity disclose its policy on which short-term investments are cash equivalents?  
   a. If there is a change in policy, are prior year financial statements restated?  
   [GASB 9, par. 11 (GASB Cod. Sec. 2450.108)]

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?  
   b. Cash receipts from quasi-external operating transactions with other funds?  
   c. Cash receipts from grants for specific activities that are considered to be operating activities of the grantor government?  
   d. Cash receipts from other funds for reimbursement of operating transactions?  
   e. Cash payments to acquire materials for providing services and manufacturing goods for resale?  
   f. Cash payments to other suppliers for other goods or services?  
   g. Cash payments to employees for services?  
   h. Cash payments for grants to other governments or organizations for specific activities that are considered to be operating activities of the grantor government?  
   i. Cash payments for taxes, duties, fines, and other fees or penalties?  
   j. Cash payments for quasi-external operating transactions with other funds, including payments in lieu of taxes?  
   k. All other cash receipts and payments that do not result from transactions defined as capital and related financing, noncapital financing, or investing activities?  
   [GASB 9, pars. 17—18 (GASB Cod. Sec. 2450.114 and .115)]

2. Are transactions of loan programs undertaken to fulfill a governmental responsibility classified as transactions from operating activities?  
   [GASB 9, par. 19 (GASB Cod. Sec. 2450.116)]

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?  
   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?  

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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?  

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

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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?  

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

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<th>Yes</th>
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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?  

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

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

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f. Payments to acquire, construct, or improve capital assets?  

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

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

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

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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 program loans) made by the governmental enterprise and sales of other entities' debt instruments (other than cash equivalents) that are purchased by the governmental enterprise?  

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<th>Yes</th>
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b. Receipts from sales of equity instruments and from returns of investment in those instruments?  

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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?  

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<th>Yes</th>
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d. Withdrawals from investment pools that the governmental enterprise is not using as demand accounts?  

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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)?  

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f. Payments to acquire equity instruments?  

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

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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?

   [GASB 9, par. 30 (GASB Cod. Sec. 2450.127)]

   Yes  No  N/A

2. Are net cash flows from operating activities reported indirectly by adjusting operating income (or net income if operating income is not separately identified on the operating statement) to reconcile it to net cash flow from operating activities?

   [GASB 9, par. 32 (GASB Cod. Sec. 2450.129)]

   Yes  No  N/A

   a. If answer is "yes":

   (1) Is 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 all accruals of expected future operating and cash receipts and payments, such as changes during the period in receivables and payables?

   [GASB 9, par. 32 (GASB Cod. Sec. 2450.129)]

   Yes  No  N/A

   (2) And if the reconciliation is to net income rather than operating income, are the effects of all items whose cash effects were capital and related financing, noncapital financing, or investing cash flows removed?

   [GASB 9, par. 32 (GASB Cod. Sec. 2450.129)]

   Yes  No  N/A

3. Is 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 is used?

   [GASB 9, par. 33 (GASB Cod. Sec. 2450.130)]

   Yes  No  N/A

4. Does 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 (GASB Cod. Sec. 2450.130)]

   Yes  No  N/A

5. If the direct method is used, is 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 (GASB Cod. Sec. 2450.131)]

   Yes  No  N/A

6. If the indirect method is used, is the reconciliation reported within the operating activities section of the statement of cash flows or provided in a separate schedule?

   [GASB 9, par. 34 (GASB Cod. Sec. 2450.131)]

   Yes  No  N/A

7. If the reconciliation is presented within the operating activities section of the statement of cash flows, are 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 (GASB Cod. Sec. 2450.131)]

   Yes  No  N/A

E. Noncash Investing, Capital, and Financing Activities

1. Is 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 (GASB Cod. Sec. 2450.134)]

   Yes  No  N/A

2. Is the information presented in a separate schedule (narrative or tabular)?

   [GASB 9, par. 37 (GASB Cod. Sec. 2450.134)]

   Yes  No  N/A
3. Does it clearly describe the cash and noncash aspects of transactions involving similar items?
   [GASB 9, par. 37 (GASB Cod. Sec. 2450.134)]
Appendix A ¹

A. Loss Contingencies

1. Is disclosure of a loss contingency made when there is at least a reasonable possibility that a loss or an additional loss may have been incurred? ___ ___ ___

2. Does the disclosure indicate the nature of the contingency and give an estimate of the possible loss or range of loss or state that such an estimate cannot be made? [GASB 10, par. 58]

B. Annuity Contracts

3. If the entity purchased an annuity contract in a claimant’s name to satisfy a claim liability, and the liability is removed from the balance sheet, is the outstanding amount of liabilities removed from the balance sheet disclosed as long as those contingent liabilities are outstanding? ___ ___ ___

   a. If it is determined that the primary liability will revert back to the entity, is the liability reinstated on the entity’s balance sheet? [GASB 10, par. 61]

C. Internal Service Fund

4. If there is a deficit fund balance in the internal service fund, is it disclosed in the notes to financial statements? [GASB 10, par. 67]

D. Other Matters

5. In a pool in which there is a transfer or pooling (sharing) of risks among the participants of that pool, does the entity report its premium or required contribution as insurance expenditure/expense? [GASB 10, par. 69]

6. If the pool is permitted to make additional assessments to its members, does the entity report an additional expenditure/expense and a liability if an assessment is probable and can be reasonably estimated? [GASB 10, par. 69]

7. Are assessment amounts that are probable but not reasonably estimable disclosed? [GASB 10, par. 69]

8. If it appears that the pool will not be able to meet its obligations and it is probable that the entity will be required to pay its own obligations if the pool fails, are the amounts of the obligations reported as an expenditure/expense and as a liability if they can be reasonably estimated? [GASB 10, par. 70]

9. If the entity is insured under a retrospectively rated insurance policy, does it disclose that fact, and that premiums are accrued based on the ultimate cost of the experience to date of a group of entities? [GASB 10, par. 74]

10. For entities other than pools, are the following disclosed in the notes to the financial statements:

   a. A description of the risks of loss to which the entity is exposed and the way(s) in which those risks of loss are handled (e.g., purchase of commercial insurance, participation in a public entity risk pool, risk retention)? ___ ___ ___

   b. A description of significant reductions in insurance coverage from coverage in the prior year by major categories of risk, and an indication whether the amount of settlements exceeded insurance coverage for each of the past three fiscal years? ___ ___ ___

¹ GASB Statement No.10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, for entities other than pools, is effective for financial statements for periods beginning after June 15, 1994. This appendix incorporates the disclosure and reporting requirements in that Statement and should be used by entities choosing to early apply the provisions of the Statement.
c. If the entity participates in a risk pool, a description of the nature of the participation, including the rights and the responsibilities of both the entity and the pool?

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d. If an entity retains the risk of loss:
(1) The basis for estimating the liabilities for unpaid claims?

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(2) The carrying amount of liabilities for unpaid claims that are presented at present value in the financial statements and the range of discount rates used to discount those liabilities?

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(3) The aggregate outstanding amount of claims liabilities for which annuity contracts are purchased in the claimants’ names and for which the related liabilities are removed from the balance sheet (annuity contracts used to settle claims for which the claimant has signed an agreement releasing the entity from further obligation and for which the likelihood that the pool will be required to make future payments on those claims is remote should not be included in this disclosure)?

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(4) A reconciliation of changes in the aggregate liabilities for claims for the current fiscal year and the prior fiscal year, in the following tabular format:

- (i) Amount of claims liabilities at the beginning of each fiscal year?

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- (ii) Incurred claims, representing the total of a provision for events of the current fiscal year and any change (increase or decrease) in the provision for events of prior fiscal years?

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- (iii) Payments on claims attributable to events of both the current fiscal year and prior fiscal years?

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- (iv) Other (provide an explanation of each material item)?

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- (v) Amount of claims liabilities at the end of each fiscal year?

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11. In the period that GASB 10 is first applied, do the financial statements disclose the nature of any restatement and its effect?

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[GASB 10, par. 77]

12. If the disclosures required by GASB 10 for the entity as a whole are inadequate or deemed misleading, are additional disclosures or a separate presentation made by fund or fund type?

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[GASB 10, par. 78]

13. Do component units that participate in their oversight entity’s risk management internal service fund make the disclosures in Step 10 above in their separately issued component unit financial statements?

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<th>Yes</th>
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[GASB 10, par. 79]

14. Does the component unit also disclose that the unit participates in the fund, including a description of the nature of that participation, and the rights and responsibilities of both the unit and the oversight entity?

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[GASB 10, par. 79]

15. If disclosure is made for a contingency from a subsequent event, do the notes indicate the nature of the loss or loss contingency and give an estimate of the amount or range of loss or possible loss or state that such estimate cannot be made?

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[GASB 10, par. 80]
Appendix B ²

A. Municipal Solid Waste Landfill Closure and Postclosure Care Costs

1. Do the notes to the financial statements disclose the following:
   a. The nature and source of landfill closure and postclosure care requirements?  
   b. That recognition of a liability for closure and postclosure care costs is based on landfill capacity used to date?  
   c. The reported liability for closure and postclosure care at the balance-sheet date (if not apparent from the financial statements) and the estimated total current cost of closure and postclosure care remaining to be recognized?  
   d. The percentage of landfill capacity used to date and estimated remaining landfill life in years?  
   e. How closure and postclosure care financial assurance requirements, if any, are being met and any assets restricted for payment of closure and postclosure care costs (if not apparent from the financial statements)?  
   f. The nature of the estimates and the potential for changes due to inflation or deflation, technology, or applicable laws or regulations?  
   [GASB 18, par. 17]

2. In the period that GASB 18 was first applied, do the financial statements disclose the following:
   a. The nature of any restatement and its effect?  
   b. The reason for not restating prior periods presented, if applicable?  
   [GASB 18, par. 22]

Appendix C ³

A. Accounting for Escheat Property

1. Is escheat property reported as follows:
   a. In either an expendable trust fund or the fund to which the property ultimately escheats?  
   b. In an agency fund or in the fund in which escheat property is otherwise reported for escheat property held for another governmental entity?  
   [GASB 21, par. 4]

2. Is escheat revenue reduced and a fund liability reported to the extent that it is probable that escheat property will be reclaimed and paid to claimants?  
   [GASB 21, par. 5]

3. In the period that GASB 21 is first applied, do the financial statements disclose the following:
   a. The nature of any restatement and its effect?  
   b. The reasons for not restating prior periods presented, if applicable?  
   [GASB 21, Par. 7]

---

² GASB Statement No. 18, Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs, is effective for financial statements for periods beginning after June 15, 1993. This appendix incorporates the disclosure and reporting requirements in that Statement.

³ GASB Statement No. 21, Accounting for Escheat Property, is effective for financial statements for periods beginning after June 15, 1994. This appendix incorporates the disclosure and reporting requirements in that Statement.
Appendix D

A. Refunding of Debt Reported by Proprietary Activities

1. For current refundings and advance refundings resulting in defeasance of debt, is the deferred amount (the difference between the reacquisition price and the net carrying amount of the old debt) reported as a deduction from or as an addition to the new debt liability?
   [GASB 23, Par. 4]

2. In the period that GASB 23 is first applied, do the financial statements disclose the nature of any restatement and its effect on net income?
   [GASB 23, Par. 7]
Auditors’ Reports Checklist

01 This checklist has been developed by the staff of the Technical Information Division of the AICPA as a nonauthoritative practice aid.

02 Illustrative auditor’s reports covered in this checklist can be found in SOP 92-7, Appendix D, Examples 1 through 15.

03 Explanation of References:

NCGA = National Council on Governmental Accounting Statement

GAO = General Accounting Office

GAS = Government Auditing Standards—Auditing standards set forth in the publication Government Auditing Standards (“Yellow Book,” issued by GAO, 1988 Revision)

SAS = AICPA Statements on Auditing Standards

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

GASB Cod. Sec. = Codification of Governmental Accounting and Financial Reporting Standards, by the Governmental Accounting Standards Board (as of June 30, 1992)

AAG-SLG = AICPA Audit and Accounting Guide, Audits of State and Local Governmental Units (with conforming changes as of May 1, 1992)

SOP = AICPA Statements of Position

04 Checklist Questionnaire

1. Does the auditor’s report include the appropriate:
   a. Addressee?
      [SAS 58, par. 9 (AU 508.09)]
   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, pars. 8 and 46 (AU 508.08 and 508.46)]
   c. A title that includes the word “independent”?
      [SAS 26, pars. 5 and 9—10 (AU 504.05 and .09—10)]

2. If the auditor is not independent, is the appropriate disclaimer expressed, regardless of the extent of services provided?
   [SAS 26, pars. 5 and 9—10 (AU 504.05 and .09—10)]

3. 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)]

4. Does the report of the independent auditor precede the basic financial statements?
   [NCGA 1, pars. 136 and 166 (GASB Cod. Sec. 2200.104)]

5. Does the auditor’s report:
a. Adequately identify the governmental reporting entity?
[GASB 14 (GASB Cod. Sec. 2100)]

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b. If applicable, indicate the division of responsibility and the magnitude of the portion of the financial statements audited by other auditors?
[SAS 58, pars. 12—13 and SAS 1, Sec. 543, par. 7 (AU 508.12—.13 and AU 543.07)]

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(1) If reference is made to the other auditors, does disclosure of the magnitude of the financial statements audited by the other auditors include an identification of the fund types and account groups in which the amounts are included?
[SAS 1, Sec. 543 (AU 543.03); SAS 58, pars. 12—13 (AU 508.12—.13); AAG-SLG, par. 5.33]

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c. Cover a period of not more than one year?

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(1) If the audit period covers more than one year:
(i) Is the audit biennial, covering both years within the period?
[SOP 92-7, par. 2.15]

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6. Is explanatory language added to the standard auditor’s report if:

a. The financial statements contain a departure from an accounting principle promulgated by a body designated by the AICPA Council to establish such principles?
[SAS 58, pars. 14 and 15 (AU 508.14—.15)]

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b. 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)]

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c. The auditor concludes that there is substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time and that conclusion is expressed through the use of the phrase “substantial doubt about its (the entity’s) ability to continue as a going concern”?
[SAS 64, par. 1 (AU 341.12)]

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

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e. In an updated report on comparative financial statements, the opinion on the prior period is different from the one previously expressed?
[SAS 58, pars. 77, 78 and 80—83 (AU 508.77—.78 and .81—.83)]

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f. Supplementary information required by the FASB or the GASB is 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 558.08)]

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g. Other information in a document containing audited financial statements is materially inconsistent with information appearing in the financial statements?
[SAS 8, par. 4 (AU 550.04)]

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h. A matter regarding the financial statements needs to be emphasized?
[SAS 58, par. 37 (AU 508.37)]

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7. If the financial statements of a prior period are audited by a predecessor auditor whose report is not presented, does the successor auditor indicate in the introductory paragraph:

a. The financial statements of the prior period are audited by another auditor?

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b. The date of the predecessor’s report?

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c. The type of report issued by the predecessor auditor?  

Yes  No  N/A

d. If the report is other than a standard report, the substantive reasons therefor?  

Yes  No  N/A

e. If the financial statements are restated, does the introductory paragraph indicate a predecessor auditor reported on the financial statements of the prior period before restatement?  

Yes  No  N/A

f. If a successor auditor applies sufficient procedures to satisfy himself or herself as to the appropriateness of the restatement adjustments, does he or she report on it in accordance with paragraph 2 of SAS 64?  

[SAS 64, par. 2 (AU 508.83)]

8. If a modified report is issued due to a scope limitation:

a. Does the report include an explanatory paragraph that precedes the opinion paragraph and is the explanatory paragraph referred to in both the scope and opinion paragraphs?  

[SAS 58, par. 43 (AU 508.43)]

b. Does the opinion paragraph indicate that the qualification pertains to the possible effects on the financial statements and not to the scope limitation itself (i.e., the qualification is because the auditor is unable to reach a conclusion on one or more matters material to the financial statements, rather than because his or her procedures are restricted)?  

[SAS 58, par. 44 (AU 508.44)]

9. Is a qualified opinion or disclaimer of opinion considered if scope limitations preclude 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)]

10. If the auditor is engaged to audit the combining and individual fund and account group financial statements in addition to a General Purpose (GPFS) or Component Unit (CUFS) Financial Statement, does the auditor's opinion address each presentation as a primary statement?  

Yes  No  N/A

a. 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?  

[SAS 29 (AU Sec. 551); AAG-SLG, par. 18.31]

11. If additional information, including statistical data, accompanies the general-purpose or component unit financial statements, does the auditor indicate in his or her report the degree of responsibility, if any, he or she is taking?  

[SAS 29, par. 5 (AU 551.05)]

12. Is a qualified opinion or adverse opinion expressed if the following circumstances are present:

a. The financial statements contain a material departure from GAAP (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)]

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

[AAG-SLG, par. 18.33—34]

c. 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?  

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

Yes  No  N/A
(2) Does the explanatory paragraph disclose the effects on the financial statements, if reasonably determinable?
[AAG-SLG, par. 18.35]

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13. If the auditor is engaged to audit financial statements of only a specified fund or group of funds that are not intended to fairly present 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 paragraph stating that the financial statements are not intended to present financial position and results of operations of the reporting entity or component unit?
[AAG-SLG, par. 18.36]

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14. 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 audit signed by the individual or firm that has complied with GAAP and is in a position to justify being the only signatory of the report?
[AAG-SLG, par. 18.42; SAS 1, Sec. 543, par. 4 (AU 543.04)]

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15. If a qualified opinion, adverse opinion, or disclaimer of opinion is expressed, are all the substantive reasons for the qualification or disclaimer disclosed and is the reporting language appropriately modified?
[SAS 58, pars. 39, 40, 51, 68 and 71 (AU 508.39, .40, .51, .68 and .71)]

Note: Consult the Topical Index to the AICPA Professional Standards under “Departures from Standard Report” for additional references to specific auditor’s report modifications.

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16. Does the report include modification, if applicable, for the following:
   a. Conditions that preclude application of necessary auditing procedures to opening inventories or long-term investments?
      [SAS 58, par. 42 (AU 508.42)]
   b. Client representations about related-party transactions?
      [SAS 45, par. 2 (AU 334.1—.12)]
   c. Client’s refusal to provide written representation?
      [SAS 19, par. 11 (AU 333.11)]
   d. Limitations on scope of lawyer’s response?
      [SAS 12, pars. 12—14 (AU 337.12—.14)]
   e. Unresolved matters involving specialists?
      [SAS 11, par. 9 (AU 336.09)]
   f. Illegal acts by clients?
      [SAS 54, pars. 18—21 (AU 317.18—.21)]
   g. Material misstatement of the financial statements?
      [SAS 47, par. 31 (AU 312.31)]
   h. Financial statements issued before the effective date of a GASB or FASB Statement when note disclosure is not made of the effect of a restatement that will be required in the future as a result of the GASB or FASB Statement?
      [Interpretation 3 of SAS 1, Sec. 410 (AU 9410.13—.15)]
   i. A material subsequent event?
      [SAS 1, sec. 560, par. 1 (AU 560.01)]

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17. Is a piecemeal opinion avoided?
[SAS 58, par. 73 (AU 508.73)]

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18. Does the report conform to SSAE 2 if management presents its assertion in a separate report that will accompany the practitioner’s report on the effectiveness of the company’s internal control structure?
[SSAE 2, pars. 50—51 (AT 400.51)]

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19. If management does not present a written assertion that accompanies the practitioner’s report, is the report appropriately modified?
[SSAE 2, pars. 53—54 (AT 400.09 and 400.52)]
20. Is the report properly modified if any conditions exist as detailed in SSAE 2, paragraph 55?  
[SSAE 2, pars. 55—79 (AT 400.52—.82)]

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Auditors’ Reports on Audits Performed Under Government Auditing Standards and OMB Circular A-128 Checklist

.01 This checklist has been developed by the staff of the Technical Information Division of the AICPA as a nonauthoritative practice aid.

.02 This checklist has two parts: Part I is for audit reports on audits performed under Government Auditing Standards (“Yellow Book”). Part II contains the additional requirements for reports on audits performed under the Single Audit Act of 1984 in accordance with OMB Circular A-128. For audits performed under Circular A-128, both Parts I and II of this checklist must be completed.

.03 Explanation of References:

A-128 = Office of Management and Budget (OMB) Circular A-128, Audits of State and Local Governments

GAS = Government Auditing Standards (“Yellow Book,” issued by GAO, 1988 Revision)

SAS = AICPA Statement on Auditing Standards

AU = Reference to section number in AICPA Professional Standards (vol. 1)

SOP 92-7 = AICPA Statement of Position, Audits of State and Local Governmental Entities Receiving Federal Financial Assistance

.04 Checklist Questionnaire

Part I—Reports on Audits Performed in Accordance With Government Auditing Standards (the “Yellow Book”)

1. In an audit performed in accordance with the Yellow Book, are the following reports, based on GAAS procedures, issued:
   a. A report on the entity’s general-purpose financial statements?1
   b. A report on internal control structure?
   c. A report on compliance with laws and regulations?
   d. A report on any illegal acts detected (issued only when instances are detected)? [SOP 92-7, pars. 1.8 and 5.1]

2. Do the auditor’s reports on the internal control structure and on compliance state that the audit is conducted in accordance with generally accepted auditing standards and with the Yellow Book?2
   [GAS, Ch. 5, par. 3; SOP 92-7, Appendix D, par. D-2]

---

1 See checklist for auditor’s reports on the basic financial statements.

2 Practitioners should be aware that although SOP 92-7, Appendix D, paragraph D-2, states that federal reviewers have accepted reports on the general-purpose financial statements, but not other reports that do not refer to Government Auditing Standards, State reviewers and others may insist on full compliance with the Yellow Book, which in Chapter 5, paragraph 3, requires a statement in the report that the general-purpose financial statement audit is made in accordance with Government Auditing Standards.
3. Does the auditor’s report state whether the general-purpose financial statements are presented fairly in accordance with GAAP?
[SOP 92-7, par. 5.2]

Report on Internal Control Structure

4. Does the report on internal control structure conform to the standard report illustrated in SAS 68, paragraph 41 (AU 801.41) and in Example 25(A) or (B) in Appendix D of SOP 92-7?
[SOP 92-7, App. D]

5. If material weaknesses are noted, are the condition, cause, criteria, and effect of those material weaknesses disclosed in the report?
[GAS, Chap. 5, par. 9, fn. 7]

6. If the auditor determines that deficiencies in the internal control structure are not significant enough to be considered reportable conditions (referred to as “nonreportable conditions”), are those matters separately communicated to the entity in writing (or orally, with working paper documentation)?
[SAS 68, pars. 33 and 39 (AU 801.33 and .39); GAS, Chap. 5, par. 25]

7. If a separate written communication describing nonreportable conditions is issued, does the report on the internal controls refer to that separate communication?
[SAS 68, pars. 38 and 39 (AU 801.38 and .39)]

8. If no reportable conditions are noted during the audit, does the report disclose that no material weaknesses are identified?
[SAS 68, par. 42 (AU 801.42)]

Report on Compliance With Laws and Regulations

9. Does the report on compliance with laws and regulations conform to the standard report illustrated in SAS 68, paragraph 25 (AU 801.25) and in Example 17(A) or (B) in Appendix D of SOP 92-7?
[SOP 92-7, App. D]

10. In rare circumstances in which the auditor decides not to test compliance with laws and regulations, does the report contain a statement that compliance with laws and regulations was not tested?
[SAS 68, par. 26 (AU 801.26) GAS, Chap. 5, par. 6]

11. If auditing procedures disclose material instances of noncompliance, is the report on compliance appropriately modified?

   a. Does that modified report include:
      (1) The definition and identification of material instances of noncompliance noted?
      (2) A statement that the noncompliance noted was considered in forming an opinion on whether the entity’s financial statements are presented fairly in conformity with GAAP?
[SAS 68, par. 27 (AU 801.27)]

12. If the report contains material instances of noncompliance, is a statement considered about:

   a. Whether the misstatements are corrected?
   or

   b. The effect of such misstatements on the auditor’s report on the basic financial statements?
[SAS 68, par. 28 (AU 801.28)]

13. Are immaterial instances of noncompliance reported in a separate communication to the entity?
[SAS 68, par. 29 (AU 801.29); GAS, Chap. 5, par. 8]
14. If a separate letter describing immaterial instances of noncompliance is issued, does the compliance report refer to that letter?  
[SAS 68, pars. 29 and 30 (AU 801.29 and .30)]  

15. If the auditor becomes aware of illegal acts or possible illegal acts, are they communicated to management?  
[SAS 68, par. 31 (AU 801.31); GAS, Chap. 5, par. 16]

Other Matters

16. If performance audits are required by contractual obligations, are findings presented in accordance with the guidance in the Yellow Book?  
[GAS, Ch. 2, pars. 6—10]

17. Does the auditor's report on the financial statements disclose the status of known but uncorrected significant or material findings and recommendations from prior audits that could have an effect on the current audit objective?  
[SAS 68, par. 20, fn. 10 (AU 801.20); GAS, Ch. 3, par. 41]

18. If the auditor determines that a loss contingency for the effect of material violations or possible violations of laws and regulations is not recorded, or that appropriate disclosure of that contingency is not made in accordance with SFAS 5 (AC C59), is the audit report on the financial statements appropriately modified?  
[SOP 92-7, pars. 5.5 and 5.19]  
a. If the auditor is unable to examine evidence sufficient to determine whether compliance with applicable laws and regulations exists, and if the potential effect of noncompliance could be material, is the audit report appropriately modified for a scope limitation?  
[SOP 92-7, par. 5.6]

19. Do the reports on compliance and internal control structure carry the same date as the report on the basic financial statements?  
[SOP 92-7, par. 5.18]

Part II—Reports on Audits Performed Under OMB Circular A-128

1. If the entity is subject to the requirements of Circular A-128, are the following reports (in addition to those in Part I of this checklist) issued:  
   a. A report on a supplementary schedule of federal financial assistance?  
   b. A report on the internal control structure used to administer federal financial assistance?  
   c. A report on compliance with specific laws and regulations that may have a direct and material effect on each major program?  
   d. A report on compliance with certain laws and regulations applicable to nonmajor programs?  
   e. A report on compliance with general requirements?  
   [SOP 92-7, par. 5.1 and Exhibit 5.1]

Report on Supplementary Schedule of Federal Financial Assistance

2. Does the audit report on the supplementary schedule of federal financial assistance make reference to the audit having been performed in accordance with the Yellow Book?  
[SOP 92-7, par. 5.10 and Appendix D, Example 16]
3. Does the report state that the information in the Schedule is subject to the auditing procedures applied in the audit of the general-purpose financial statements, and that it provides assurance on the fair presentation of the Schedule in relation to the general-purpose financial statements?
[SOP 92-7, par. 5.10 and Appendix D, Example 16]  

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

4. Does the report carry the same date as the report on the general-purpose financial statements?
[SOP 92-7, par. 5.18]  

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

Report on Internal Control Structure Used in Administering Federal Financial Assistance

5. Does the report on the internal control structure conform to the reports illustrated in Example 26(A) or (B) in Appendix D of SOP 92-77?
[SOP 92-7, App. D]  

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

6. If nonreportable conditions or other matters involving the internal control structure are identified in the audit, does the auditor report those matters to management, either in writing or orally?

a. If written, is the letter referred to in the reports on the internal control structure?
[SOP 92-7, par. 5.17]  

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

Report on Compliance With General Requirements

7. Does the report on compliance with general requirements conform to the standard reports illustrated in paragraph 52 of SAS 68 (AU 801.52) and in Example 23(A), (B), or (C) in Appendix D of SOP 92-7?
[SOP 92-7, App. D]  

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

Report on Compliance with Specific Requirements Related to Major Programs

8. For audits of major programs, does the report on compliance with specific requirements conform with the standard report illustrated in SAS 68, paragraph 81 (AU 801.81) and in Examples 18—22 in Appendix D of SOP 92-7?
[SOP 92-7, App. D]  

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

9. If restrictions on the scope of an audit on compliance require a qualified opinion or a disclaimer of opinion, are the reasons for such qualification or disclaimer described in the report, and are the effects of such restrictions considered in relation to the auditor's opinion on the financial statements?
[SAS 68, par. 82 (AU 801.82)]  

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

10. If the auditor is disclaiming an opinion due to a scope limitation:

a. Are the reasons indicated, in a separate paragraph, why the audit does not comply with GAAS, the Yellow Book, and Circular A-128?

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

b. Does the auditor state that the scope of the audit is not sufficient to warrant the expression of an opinion?

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

c. Does the auditor disclose any reservations he or she has regarding compliance with applicable laws and regulations?
[SAS 68, par. 84 (AU 801.84)]  

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

11. If the auditing procedures disclosed instances of noncompliance on major programs, is sufficient evidence examined to support that finding?

a. Does the resulting modification to the auditor's report on compliance consider factors that include:

(1) The number and types of instances of noncompliance?

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

(2) Determinability of questioned costs?

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

(3) Materiality of questioned costs?

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

b. If, after considering those factors, the auditor concludes that the instances of noncompliance have a material effect on a federal program, is a qualified or adverse opinion issued?
[SOP 92-7, par. 5.7]  

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Report on Compliance Related to Nonmajor Programs

12. For nonmajor programs, does the report on compliance conform to the standard report illustrated in paragraph 90 of SAS 68 (AU 801.90) and in Example 24 in Appendix D of SOP 92-7? [SOP 92-7, App. D]

Other Matters Concerning Reports on Compliance

13. Are all immaterial findings of noncompliance included in a schedule of findings and questioned costs? [SOP 92-7, par. 5.25]

14. If the auditor concludes that compliance with a requirement cannot reasonably be estimated or measured, does the auditor conclude that he or she is precluded from issuing an opinion on compliance with a specific requirement? [SOP 92-7, par. 5.16a]

15. If, after examining sufficient evidence, the auditor concludes that an instance of noncompliance has a material effect on a federal program, is the auditor's report qualified or an adverse opinion issued, as appropriate?
   a. If the auditor is unable to determine whether the resolution of instances of noncompliance could have a material effect on the program, does the compliance report state that noncompliance occurred but the effect on the program presently cannot be determined?
   b. Is the impact on such uncertainties on the general-purpose financial statements considered and the report modified, if appropriate? [SOP 92-7, par. 5.16b]
Illustrative Combined Financial Statements

.01 According to GASB Cod. Sec. 2200.129 the following "basic" financial statements are necessary for separately issued GPFS to be presented fairly in conformity with generally accepted accounting principles:

- Combined Balance Sheet—All Fund Types and Account Groups
- Combined Statement of Revenues, Expenditures, and Changes in Fund Balances—All Governmental Fund Types
- Combined Statement of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual—General and Special Revenue Fund Types (and similar governmental fund types for which annual budgets have been legally adopted)
- Combined Statement of Revenues, Expenses, and Changes in Retained Earnings (or Equity)—All Proprietary Fund Types
- Combined Statement of Cash Flows—All Proprietary Fund Types (and Similar Trust Funds)
- Notes to the financial statements
- Required supplementary information.

.02 GASB Code Section 2200.113 states that combined financial statements of fund types and account groups may have a total column that aggregates the columnar statements by fund type and account group. If a total column is shown, it should be captioned "Memorandum Only" because the total column on a combined financial statement is not comparable to a consolidation. A note to the financial statements should disclose the nature of the column and should explain that it does not present consolidated financial information.
.03 Illustrative Combined Balance Sheet—All Fund Types and Account Groups
December 31, 19X2

<table>
<thead>
<tr>
<th>Assets</th>
<th>19X2</th>
<th>19X1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
</tr>
<tr>
<td>Investments, at cost or amortized cost</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Receivables (net, where applicable, of allowances for uncollectibles):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes, including interest, penalties, and liens</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Accounts</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Notes</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Loans</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Due from other funds</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Due from other governments</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Advance to Internal Service Fund</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Inventory, at cost</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Restricted assets: Cash and investments, at cost or amortized cost</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Fixed assets (net of accumulated depreciation)</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Amount available in Debt Service Funds</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Amount to be provided for retirement of general long-term debt</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Total assets</td>
<td>$XXXX,XXX</td>
<td>$XXXX,XXX</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and Net Position</th>
<th>19X2</th>
<th>19X1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Notes Payable</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Bonds Payable</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Long-term Debt</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>$XXXX,XXX</td>
<td>$XXXX,XXX</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Position—Equity</th>
<th>19X2</th>
<th>19X1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Position—Equity</td>
<td>$XXXX,XXX</td>
<td>$XXXX,XXX</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Totals</th>
<th>19X2</th>
<th>19X1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>$XXXX,XXX</td>
<td>$XXXX,XXX</td>
</tr>
<tr>
<td>Liabilities and Net Position</td>
<td>$XXXX,XXX</td>
<td>$XXXX,XXX</td>
</tr>
<tr>
<td>Totals</td>
<td>$XXXX,XXX</td>
<td>$XXXX,XXX</td>
</tr>
</tbody>
</table>
.03 Illustrative Combined Balance Sheet—All Fund Types and Account Groups  
December 31, 19X2

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>Governmental Fund Types</th>
<th>Proprietary Fund Types</th>
<th>Fiduciary Fund Type</th>
<th>Account Groups</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>General</td>
<td>Special Revenue</td>
<td>Debt</td>
<td>Capital Projects</td>
<td>Enterprise</td>
</tr>
<tr>
<td>Vouchers and accounts payable</td>
<td>$XXX,XXX</td>
<td>$XX,XXX</td>
<td>$—</td>
<td>$XX,XXX</td>
<td>$XXX,XXX</td>
</tr>
<tr>
<td>Contracts payable</td>
<td>$XX,XXX</td>
<td>$XX,XXX</td>
<td>$—</td>
<td>$XX,XXX</td>
<td>$XX,XXX</td>
</tr>
<tr>
<td>Judgments payable</td>
<td>—</td>
<td>$XX,XXX</td>
<td>$—</td>
<td>$XX,XXX</td>
<td>$—</td>
</tr>
<tr>
<td>Accrued general obligation interest</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other accrued expenses</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Payable from restricted assets:</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Construction contracts</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Fiscal agent</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Matured revenue</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Matured revenue bond interest</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Revenue bonds</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Deposits</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Due to:</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other taxing units</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
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</tr>
<tr>
<td>Other funds</td>
<td>$XXX,XXX</td>
<td>$XX,XXX</td>
<td>$XX,XXX</td>
<td>$—</td>
<td>$XX,XXX</td>
</tr>
<tr>
<td>Deferred revenues</td>
<td>$XXX,XXX</td>
<td>$XX,XXX</td>
<td>$XX,XXX</td>
<td>$—</td>
<td>$—</td>
</tr>
<tr>
<td>Advance from General Fund</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>General obligation bonds payable</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Revenue bonds payable</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>$XXX,XXX</td>
<td>$XX,XXX</td>
<td>$XX,XXX</td>
<td>$XXX,XXX</td>
<td>$XX,XXX</td>
</tr>
</tbody>
</table>
### .03 Illustrative Combined Balance Sheet—All Fund Types and Account Groups—continued

<table>
<thead>
<tr>
<th>Fund Equity</th>
<th>Governmental Fund Types</th>
<th>Proprietary Fund Types</th>
<th>Fiduciary Fund Type</th>
<th>Account Groups</th>
<th>Totals (Memorandum Only)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>General</td>
<td>Special Revenue</td>
<td>Debt Service</td>
<td>Capital Projects</td>
<td>Internal Service</td>
</tr>
<tr>
<td>Contributed capital</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>$X,XXX,XXX</td>
</tr>
<tr>
<td>Investment in general fixed assets</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Retained earnings:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reserved for revenue bond retirement</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Unreserved</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>$X,XXX,XXX</td>
</tr>
<tr>
<td>Fund balance:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reserved for encumbrances</td>
<td>$X,XXX</td>
<td>$XXX</td>
<td>_</td>
<td>_</td>
<td>X,XXX,XXX</td>
</tr>
<tr>
<td>Reserved for inventory</td>
<td>X,XXX</td>
<td>X,XXX</td>
<td>_</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Reserved for advance to Internal Service Fund</td>
<td>_</td>
<td>_</td>
<td>_</td>
<td>_</td>
<td>_</td>
</tr>
<tr>
<td>Reserved for loans</td>
<td>_</td>
<td>_</td>
<td>_</td>
<td>_</td>
<td>_</td>
</tr>
<tr>
<td>Reserved for endowments</td>
<td>_</td>
<td>_</td>
<td>_</td>
<td>_</td>
<td>_</td>
</tr>
<tr>
<td>Reserved for employees' retirement system</td>
<td>_</td>
<td>_</td>
<td>_</td>
<td>_</td>
<td>_</td>
</tr>
<tr>
<td>Reserved for debt service</td>
<td>_</td>
<td>_</td>
<td>_</td>
<td>_</td>
<td>_</td>
</tr>
<tr>
<td>Unreserved:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Designated for subsequent years' expenditures</td>
<td>_</td>
<td>_</td>
<td>_</td>
<td>_</td>
<td>_</td>
</tr>
<tr>
<td>Undesignated</td>
<td>$X,XXX</td>
<td>XXXX</td>
<td>_</td>
<td>_</td>
<td>_</td>
</tr>
<tr>
<td>Total retained earnings/ fund balance</td>
<td>$X,XXX</td>
<td>XXXX</td>
<td>XXXX</td>
<td>XXXX</td>
<td>XXXX,XXX</td>
</tr>
<tr>
<td>Total fund equity</td>
<td>$X,XXX</td>
<td>XXXX</td>
<td>XXXX</td>
<td>XXXX</td>
<td>XXXX,XXX</td>
</tr>
<tr>
<td>Commitments and contingent liabilities</td>
<td>_</td>
<td>_</td>
<td>_</td>
<td>_</td>
<td>_</td>
</tr>
<tr>
<td>Total liabilities and fund equity</td>
<td>_</td>
<td>_</td>
<td>_</td>
<td>_</td>
<td>_</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

**NAME OF GOVERNMENT**

### Year Ended December 31, 19X2

#### General Governmental Fund Types

<table>
<thead>
<tr>
<th></th>
<th>General</th>
<th>Special Revenue</th>
<th>Debt Service</th>
<th>Capital Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxes and special assessments</td>
<td>$ XXX,XXX</td>
<td>$ XX,XXX</td>
<td>$XX,XXX</td>
<td>$ -</td>
</tr>
<tr>
<td>Licenses and permits</td>
<td>XXX,XXX</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XX,XXX</td>
<td>X,XXX,XXX</td>
</tr>
<tr>
<td>Charges for services</td>
<td>XX,XXX</td>
<td>XXX,XXX</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Fines and forfeits</td>
<td>X,XXX</td>
<td>XXX,XXX</td>
<td>XX,XXX</td>
<td>X,XXX</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>X,XXX</td>
<td>X,XXX</td>
<td>X,XXX</td>
<td>X,XXX</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>X,XXX,XXX</td>
<td>X,XXX,XXX</td>
<td>XX,XXX</td>
<td>X,XXX,XXX</td>
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</tbody>
</table>

#### Fiduciary Fund Type

<table>
<thead>
<tr>
<th></th>
<th>Expendable Trust</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total (Memorandum Only)</strong></td>
<td>19X2</td>
</tr>
</tbody>
</table>

#### Expenditures:

<table>
<thead>
<tr>
<th></th>
<th>General</th>
<th>Special Revenue</th>
<th>Debt Service</th>
<th>Capital Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>General government</td>
<td>XXX,XXX</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Public safety</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Highways and streets</td>
<td>XXX,XXX</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Sanitation</td>
<td>XXX,XXX</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Health</td>
<td>XX,XXX</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Welfare</td>
<td>XXX,XXX</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Culture and recreation</td>
<td>XX,XXX</td>
<td>XXX,XXX</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Education</td>
<td>XXX,XXX</td>
<td>—</td>
<td>—</td>
<td>X,XXX</td>
</tr>
<tr>
<td>Capital projects</td>
<td>—</td>
<td>—</td>
<td>X,XXX,XXX</td>
<td>—</td>
</tr>
<tr>
<td>Debt service:</td>
<td></td>
<td></td>
<td></td>
<td>X,XXX,XXX</td>
</tr>
<tr>
<td>Principal retirement</td>
<td>—</td>
<td>—</td>
<td>XX,XXX</td>
<td>—</td>
</tr>
<tr>
<td>Interest and fiscal charges</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td>X,XXX,XXX</td>
<td>X,XXX,XXX</td>
<td>XX,XXX</td>
<td>X,XXX,XXX</td>
</tr>
</tbody>
</table>

#### Excess (deficiency) of revenues over expenditures

|                       | XXX,XXX | XX,XXX | X,XXX | (X,XXX) | (XXX) | (XXX,XXX) | (XXX,XXX) |

---

69
**NAME OF GOVERNMENT**  
Illustrative Combined Statement of Revenues, Expenditures, and Changes in Fund Balances—All Governmental Fund Types and Expendable Trust Funds—continued

<table>
<thead>
<tr>
<th></th>
<th>General</th>
<th>Special Revenue</th>
<th>Debt Service</th>
<th>Capital Projects</th>
<th>Expendable Trust</th>
<th>Totals (Memorandum Only)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Other financing sources (uses):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds of general obligation bonds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating transfers in</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating transfers out</td>
<td>(XX,XXX)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total other financing sources (uses)</td>
<td>(XX,XXX)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excess (deficiency) of revenues and other financing sources over expenditures and other uses . .</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>x,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX (XXX,XXX)</td>
</tr>
<tr>
<td>Fund balance at beginning of year . . . .</td>
<td>XXX,XXX</td>
<td>XX,XXX</td>
<td>x,XXX</td>
<td>XXX,XXX</td>
<td>XX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Increase in reserve for inventory . . .</td>
<td>X,XXX</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fund balance at end of year . . . .</td>
<td>$ XXX,XXX</td>
<td>$ XXX,XXX</td>
<td>$XX,XXX</td>
<td>$ XXX,XXX</td>
<td>$XXX,XXX</td>
<td>$X,XXX,XXX</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
# Illustrative Combined Statement of Revenues, Expenditures, and Changes In Fund Balances—Budget (GAAP Basis) and Actual—General, Special Revenue, and Capital Projects Fund Types

**NAME OF GOVERNMENT**

## Year Ended December 31, 19X2

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

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

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

.07 Illustrative Combined Statement of Cash Flows—All Proprietary Fund Types (and Similar Trust Funds)

Year Ended December 31, 19X2

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

See accompanying notes to financial statements.

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

73
NAME OF GOVERNMENT

Illustrative Combined Statement of Cash Flows—All Proprietary Fund Types (and Similar Trust Funds)—continued

Year Ended December 31, 19X2

<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 Nonexpendable Trust</td>
</tr>
<tr>
<td>Reconciliation of operating income to net cash provided by operating activities:</td>
<td>$ XXX,XXX</td>
<td>$ XX,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>X,XXX</td>
</tr>
<tr>
<td>Due from other funds</td>
<td>XX,XXX</td>
<td>X,XXX</td>
<td></td>
</tr>
<tr>
<td>Inventory</td>
<td></td>
<td></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>XXX</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other accrued expenses</td>
<td>X,XXX</td>
<td></td>
<td>(X,XXX)</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>$ XX,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:

- Buildings: 25-50 years
- Improvements: 10-20 years
- Equipment: 3-10 years

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).
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 in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds, and Capital Projects Funds. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

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 in order to provide an understanding of changes in the City's financial position and operations. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in each of the statements 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:

- Cash ............................................................................................................................................................................ $ XXX,XXX
- Certificates of deposit ........................................................................................................................................... XX,XXX,XXX
- Pooled investments ................................................................................................................................................ XX,XXX,XXX
- Cash and investments in deferred compensation plan .................................................................................. X,XXX,XXX

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 $XXX,XXX 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</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.
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 $XX,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>Category</th>
<th>Jan. 1, 19X2</th>
<th>Additions</th>
<th>Deletions</th>
<th>Dec. 31, 19X2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$X,XXX,XXX</td>
<td>$X,XXX</td>
<td>$0</td>
<td>$X,XXX,XXX</td>
</tr>
<tr>
<td>Buildings</td>
<td>X,XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>X,XXX,XXX</td>
</tr>
<tr>
<td>Improvements other than buildings</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>X,XXX,XXX</td>
</tr>
<tr>
<td>Equipment</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Total</td>
<td>$X,XXX,XXX</td>
<td>$X,XXX,XXX</td>
<td>$X,XXX,XXX</td>
<td>$X,XXX,XXX</td>
</tr>
</tbody>
</table>

Construction in progress is composed of the following:
A summary of proprietary fund type property, plant, and equipment at December 31, 19X2 follows:

<table>
<thead>
<tr>
<th>Description</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>$XXX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Equipment</td>
<td>$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>$XXX,XXX</td>
<td>XX,XXX</td>
</tr>
</tbody>
</table>

Less accumulated depreciation

Net $XXX,XXX $XXX,XXX

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>Description</th>
<th>General obligation</th>
<th>Revenue</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds payable at January 1, 19X2</td>
<td>$XXX</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
</tr>
<tr>
<td>New bonds issued:</td>
<td>XXX</td>
<td></td>
<td>XXX</td>
</tr>
<tr>
<td>19X2 Civic Center</td>
<td></td>
<td></td>
<td>XXX</td>
</tr>
<tr>
<td>19X2 Richard Craddock Memorial Recreation Center</td>
<td>XXX</td>
<td></td>
<td>XXX</td>
</tr>
<tr>
<td>Bonds retired</td>
<td>(XXX)</td>
<td>(XX)</td>
<td>(XXX)</td>
</tr>
<tr>
<td>Bonds payable at December 31, 19X2</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
<td>$XXX,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:

$XXX,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

$XXX,XXX,XXX 19W2 Street, Bridge, and Drainage Improvements serial bonds due in annual installments of $XXX,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 $XXX,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 $XXX,XXX through December 1, 19Z2; interest at 5 percent XXX

Revenue bonds:

$XXX,XXX,XXX Water and Sewer serial bonds due in annual installments of $XXX,XXX to $XXX,XXX through January 1, 19Z2; interest at 3 1/2 percent $XXX

$XXX,XXX 19W8 Water and Sewer serial bonds due in annual installments of $XXX,XXX to $XXX,XXX through January 1, 19Z2; interest at 3 1/2 percent 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</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>XXX</td>
</tr>
</tbody>
</table>

$X,XXX 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:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Parks Fund</td>
<td></td>
<td>X,XXX</td>
</tr>
<tr>
<td>Capital Projects Fund:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mill Street Bridge Fund</td>
<td></td>
<td>X,XXX</td>
</tr>
<tr>
<td>Enterprise Fund:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water and Sewer Fund</td>
<td></td>
<td>X,XXX</td>
</tr>
<tr>
<td>Internal Service Fund:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central Garage Fund</td>
<td></td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Pension Trust Fund:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees’ Retirement System</td>
<td></td>
<td>XX,XXX</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:

   (1) Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them: ............................................. 24,758
   (2) Current employees ................................................................. 31,970
   (3) Total Membership ................................................................. 56,728

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 2 1/2% 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: 2 1/2% 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 3 3/4% 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:

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Pension Benefit Obligation:

Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits ................................................................. $X,XXX,XXX

Current employees—

Accumulated employee contributions including allocated investment income ............ XXX,XXX
Employer-financed vested ..................................................................................... XXX,XXX
Employer-financed nonvested ............................................................................... XXX,XXX
Total pension benefit obligation ........................................................................... X,XXX,XXX
Net assets available for benefits, at cost value ........................................................................ X,XXX,XXX
Unfunded pension benefit obligation ........................................................................ $X,XXX,XXX

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 $XX.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 System (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’s 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 $XX.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 person 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:

(Amounts in Billions)

| Total Pension Benefit Obligations | $XX.X |
| Net Assets Available for Pension Benefits, At Market | X.X |
| Unfunded Pension Benefit Obligation | $ X.X |

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:
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.
Independent Auditor’s Report

We have audited the accompanying financial statements of [name of entity], as of December 31, 19X2, and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of City of Example, Any State, management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 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 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 financial statements of [name of entity]. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the 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.
Compliance Report Based on an Audit of the Basic Financial Statements Performed in Accordance With Government Auditing Standards

Independent Auditor’s Report

We have audited the financial statements of [name of entity], 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 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. Accordingly, we do not express such an opinion.

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, 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.]

Material instances of noncompliance are failures to follow requirements or violations of prohibitions, contained in statutes, 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 statutes, 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 19X2 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.]

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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]. However, this report is a matter of public record and its distribution is not limited.

[Signature]

[Date]
.11 Report on the Internal Control Structure in Accordance With Government Auditing Standards

Independent Auditor's Report

We have audited the financial statements of [name of entity], 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 [name of entity], 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 [name of entity] 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 the 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 financial statements.*

* 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 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 [name of entity], in a separate communication dated March 15, 19X3.

Last paragraph of the report is the same as that illustrated in the above example.
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 [name of entity] 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]. However, this report is a matter of public record and its distribution is not limited.

[Signature]

[Date]
.12 Single Audit Opinion on Compliance With Specific Requirements Applicable to Major Federal Financial Assistance Programs

Independent Auditor's Report

We have audited the financial statements of [name of entity], as of and for the year ended December 31, 19X2, and have issued our report thereon dated March 15, 19X3.

We have also audited [name of entity's] compliance with the requirements governing [list specific requirements tested] 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 [name of entity] is responsible for [name of entity’s] compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and OMB 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 [name of entity’s] 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, [name of entity] complied, in all material respects, with the requirements governing [list requirements tested] that are applicable to each of its major federal financial assistance programs for the year ended December 31, 19X2.

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

[Signature]

[Date]
Independent Auditor's Report

We have audited the financial statements of [name of entity], as of and for the year ended December 31, 19X2, and have issued our report thereon dated March 15, 19X3.

We have applied procedures to test [name of entity's] compliance with the following requirements applicable to its 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 tested.]

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 [name of entity's] 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 second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that [name of entity] 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]. However, this report is a matter of public record and its distribution is not limited.

[Signature]

[Date]
Independent Auditor's Report

We have audited the financial statements of [name of entity], as of and for the year ended December 31, 19X2, and have issued our report thereon dated March 31, 19X3.

In connection with our audit of the financial statements of [name of entity] and with our consideration of [name of entity's] control structure 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 Circular A-128, we have performed auditing procedures to test compliance with the requirements governing [list requirements tested] 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 [name of entity's] 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 [name of entity] 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]. However, this report is a matter of public record and its distribution is not limited.

[Signature]
[Date]
Single Audit Report on the Internal Control Structure Used in Administering Federal Financial Assistance Programs

Independent Auditor’s Report

We have audited the financial statements of [name of entity], as of and for the year ended December 31, 19X2, and have issued our report thereon dated March 15, 19X3. We have also audited [name of entity’s] compliance with requirements applicable to major federal financial assistance programs and have issued our report thereon dated March 15, 19X3.

We conducted our audits 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 (OMB) 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 the general-purpose financial statements are free of material misstatement and about whether [name of entity] complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audits for the year ended December 31, 19X2, we considered the City’s internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the [name of entity’s] financial statements and on its compliance with requirements applicable to major programs and not to provide assurance on the internal control structure. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed policies and procedures relevant to our audit of the financial statements in a separate report dated March 15, 19X3.

The management of [name of entity] 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, that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance 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 used in administering federal financial assistance programs in the following categories [identify internal control structure categories].

1 Following are examples of different ways in which internal control structure policies and procedures used in administering federal financial assistance programs might be classified. The auditor should modify these examples or use other classifications as appropriate for the particular circumstances on which the auditor is reporting. However, there is no need to present detailed internal control structure policies and procedures, even though test work may be performed at that level.

General Requirements
- Political activity
- Davis-Bacon Act
- Civil rights
- Cash management
- Relocation assistance and real property management
- Federal financial reports
- Allowable costs/cost principles
- Drug-free workplace
- Administration requirements

Specific Requirements
- Types of services
- Eligibility
For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.2

During the year ended June 30, 19XX, [name of entity] expended X percent of its total federal financial assistance under major federal financial assistance programs.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to each of the City’s major federal financial assistance programs, which are identified in the accompanying schedule of federal financial assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

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 City’s ability to administer federal financial assistance programs in accordance with applicable laws and regulations.

[Include paragraphs to describe the reportable conditions noted.]

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program 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 are material weaknesses.

We also noted other matters involving the internal control structure and its operation that we have reported to the management of [name of entity] 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]

(Footnote Continued)

- Matching, level of effort, or earmarking
- Reporting
- Cost allocation
- Special requirements, if any
- Monitoring subrecipients

Claims for Advances and Reimbursements

Amounts Claimed or Used for Matching

2 If a cyclical approach is used, the sixth paragraph of this report should be modified, and a paragraph that clearly describes the coverage provided for nonmajor programs should be added after the sixth paragraph, as follows:

Because of the large number of nonmajor programs and the decentralized administration of these programs, we performed procedures to obtain an understanding of the internal control structure policies and procedures relevant to nonmajor programs on a cyclical basis. Our procedures during the current year covered X percent of the nonmajor programs administered by the City as a whole. The nonmajor programs not covered during the current year have been or are expected to be subject to such procedures at least once during the X year cycle.
Independent Auditor’s Report

We have audited the financial statements of [name of entity], for the year ended December 31, 19X2, and have issued our report thereon dated March 15, 19X3. These financial statements are the responsibility of [name of entity]’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the financial statement of [name of entity], taken as a whole. The accompanying schedule of federal financial assistance is presented for purposes of additional analysis and is not a required part of the financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

[Signature]
[Date]
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