Checklists and illustrative financial statements for state and local governmental units: a financial reporting practice aid, July 1999 edition

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FINANCIAL STATEMENTS
FOR STATE AND LOCAL
GOVERNMENTAL UNITS

A Financial Accounting and
Reporting Practice Aid

Edited by
Susan Frohlich, CPA
Technical Manager, Accounting and Auditing Publications

Checklists and Illustrative Financial Statements for State and Local Governmental Units has not been approved, disapproved, or otherwise acted upon by any senior technical committees of the American Institute of Certified Public Accountants or the Financial Accounting Standards Board and has no official or authoritative status.
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FSP Section 13,000

Checklists and Illustrative Financial Statements for State and Local Governmental Units

.01 The checklists and illustrative financial statements included in this section have been developed by the AICPA Accounting and Auditing Publications Team as nonauthoritative technical practice aids for use in audits of financial statements of and federal financial assistance received by state and local governmental entities. The checklists do not address the specialized accounting and financial reporting standards of governmental special entities—colleges, universities, hospitals, and those entities using not-for-profit accounting and financial reporting standards. The checklists cover GAAP disclosures—whether in the financial statements, the notes to financial statements, or required supplementary information—applicable to General Purpose Financial Statements (GPFS) and do not address additional disclosures applicable only to a Comprehensive Annual Financial Report (CAFR). Users also should be aware of the following:

- The checklists and illustrative financial statements do not include all disclosures and presentation items promulgated. Pronouncements deemed remote for audits of state and local governments are not included in this document.

- The checklists and illustrative financial statements are “tools” and do not represent official positions or pronouncements of the AICPA.

- The checklists and illustrative financial statements and auditors' reports have been updated to include relevant accounting pronouncements through Governmental Accounting Standards Board Statement (GASB) No. 33 (GASB 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 for an indefinite time period), GASB Interpretation No. 5, GASB Technical Bulletin 99-1, AICPA Audit and Accounting Guide Audits of State and Local Governmental Units (with conforming changes as of May 1, 1999), AICPA Statement on Auditing Standards (SAS) No. 87, FASB Statement of Financial Accounting Standards No. 134, FASB Interpretation No. 42, FASB Technical Bulletin No. 97-2, and AICPA Statement of Position No. 98-9. 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 also should be considered.

- The checklists and illustrative financial statements and auditors' 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 and the U.S. General Accounting Office's Government Auditing Standards (1994 Revision), is required for proper implementation of the checklists.

- The items in these checklists that are derived solely from private-sector standards (such as those issued by the Financial Accounting Standards Board and the Accounting Principles Board) may have limited applicability for governmental entities. To determine the applicability of these reporting requirements, the user should refer 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, vol. 1, AU sec. 411), and GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting.
• Appendix A represents required disclosures if the corresponding Statement is adopted.

02 Users of the checklists and illustrative financial statements and auditors' reports are urged to refer directly to applicable authoritative pronouncements when appropriate. If you have further questions, call the AICPA Technical Hotline at 1-888-777-7077.

Note: This publication was extracted from sections 13,000 through 13,600 of the AICPA Financial Statement Preparation Manual (PSP).
FSP Section 13,100

Introduction

.01 Many state and local governments prepare financial statements in conformity with generally accepted accounting principles (GAAP), and obtain audits in accordance with generally accepted auditing standards (GAAS), generally accepted governmental auditing standards (GAS), and the Single Audit Act. The following discusses current developments for governmental entities in the areas of GAAP and Single Audits.

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, vol. 1, AU sec. 411), statements and interpretations issued by the GASB are recognized within category (a) as a source of established accounting principles. 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) and certain accounting standards in AICPA Statements of Position and the 1974 Audit and Accounting Guide Audits of State and Local Governmental Units. The GASB provides those previous standards as well as its own statements, interpretations, and technical bulletins in its Codification of Governmental Accounting and Financial Reporting Standards, updated as of June 30 each year.

.03 Since this checklist was last updated, the most significant standard issued by the GASB is Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions. That Statement establishes accounting and financial reporting standards for nonexchange transactions involving financial or capital resources (for example, most taxes, grants, and private donations). The principal issue addressed in that Statement is the timing of recognition of nonexchange transactions.

Single Audits

.04 In 1996, the federal government revised the Single Audit Act of 1984 by issuing the Single Audit Act Amendments of 1996. Since that time, the Office of Management and Budget (OMB) has issued implementing regulations—OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. The law and A-133 make many changes in the Single Audit process, the most significant of which is to reduce the number of entities required to have federally mandated audits by raising the dollar threshold from $25,000 of federal financial assistance received to $300,000 expended. The OMB also has issued compliance supplements for conducting Single Audits under A-133, most recently in May 1999.

.05 In March 1998, the AICPA provided guidance for implementing the Single Audit Act Amendments of 1996 and OMB Circular A-133 by issuing SOP 98-3, Audits of States, Local Governments, and Not-for-Profit Organizations Receiving Federal Awards. The AICPA also issued a nonauthoritative practice aid for implementing the new Single Audit standards, Auditing Recipients of Federal Awards: Practical Guidance for Applying OMB Circular A-133, Audits of States, Local Governments, and Not-for-Profit Organizations Receiving Federal Awards.
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.

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.

Checklists usually provide for checking off or initialing 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.

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.

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.
FSP Section 13,300

Financial Statements and Notes Checklist

.01 This checklist only includes pronouncements issued by the GASB, FASB, and AICPA that apply to the general purpose financial statements of state and local governmental entities. It does not include other presentations and disclosures that have become generally accepted through practice or that are required by other organizations or other disclosures that are required for a governmental entity's comprehensive annual financial report. The provisions of the referenced pronouncements need not be applied to immaterial items.

.02 This checklist is organized into the sections listed below. Carefully review the topics listed and consider whether they represent potential disclosure items for the governmental entity. Place a check mark by those topics or sections considered applicable. Place an N/A by those topics or sections considered not applicable; those sections need not be completed. For example, if the entity did not have any derivatives, place an N/A by General, Section E, “Derivatives,” and skip that section when completing the checklist.

• General
  A. Overview
  B. Significant Accounting Policies
  C. Accounting Changes
  D. Comparative Financial Statements
  E. Derivatives
  F. Investments
  G. Reverse Repurchase Agreements and Securities Lending Transactions
  H. Nonmonetary Transactions
  I. Joint Costs That Include Fund Raising
  J. Contingencies and Commitments
  K. Subsequent Events
  L. Related-Party Transactions
  M. Component Units
  N. Joint Ventures and Jointly Governed Organizations
  O. Component Units and Related Organizations With Joint Venture Characteristics
  P. Undivided Interests
  Q. Defined Benefit Pension Plans
  R. Defined Contribution Pension Plans
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  T. Employers’ Accounting for Pensions
  U. Postemployment Benefits Other Than Pensions
  V. Deferred Compensation Plans
  W. Risk Financing and Related Financing Issues—Public Entity Risk Pools
  X. Risk Financing and Related Financing Issues—Entities Other Than Risk Pools
  Y. Municipal Solid Waste Landfill Closure and Postclosure Care Costs
  Z. External Investment Pools
  AA. Financial Instruments
• Combined Balance Sheet—All Fund Types, Account Groups, and Discretely Presented Component Units
  A. Content
  B. Cash and Investments, Including Reverse Repurchase Agreements and Securities Lending Transactions
  C. Notes and Accounts Receivable
  D. Inventories
  E. Fixed Assets
  F. Lessors
  G. Intangible Assets
  H. Liabilities
  I. Lessees
  J. General Long-Term Debt
  K. Fund Balance
  L. Other

• Combined Statement of Revenues, Expenditures, and Changes in Fund Balances—All Governmental Fund Types, Similar Trust Funds, and Discretely Presented Component Units
  A. General
  B. Property Taxes
  C. Grants, Entitlements, Shared Revenues, and Other Financial Assistance
  D. Expenditures

• Combined Statement of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual—General and Special Revenue Fund Types (and Similar Governmental Fund Types of the Primary Government for Which Annual Budgets Have Been Legally Adopted)
  A. General

• Combined Statement of Revenues, Expenses, and Changes in Retained Earnings (or Equity)—All Proprietary Fund Types, Similar Trust Funds, and Discretely Presented Component Units
  A. General
  B. Extraordinary Items
  C. Interest Costs to Acquire Certain Assets
  D. Residual Equity and Operating Transfers
  E. Depreciation
  F. Futures Contracts
  G. Foreign Currency Translation
  H. Research and Development Costs
  I. Environmental Remediation Costs
  J. Inventories
  K. Segment Information

• Combined Statement of Cash Flows—All Proprietary Fund Types, Nonexpendable Trust Funds, and Discretely Presented Component Units
  A. Title
  B. Format and Policy
  C. Classification of Cash Receipts and Cash Payments
  D. Content and Form
  E. Noncash Investing, Capital, and Financing Activities
• Appendix A—GASB 32 Deferred Compensation Plans
  
• Appendix B—GASB 33 Accounting and Financial Reporting for Nonexchange Transactions
  
  
.03 Explanation of References:

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.04 Checklist Questionnaire:

I. General

A. Overview

1. Are all financial statements titled properly?  
   [NCGA 1, par. 143; GASB 9, par. 6; GASB 14, pars. 19, 44, and 50; GASB 27, par. 22 (GASB Cod. Sec. 2200.108 and .109)]

2. If total columns are presented on the combined financial statements, are they captioned "Memorandum Only," and is there a note explaining:
   a. That the columns are presented for information only?  
   b. If interfund balances and transactions have been eliminated?  
   c. That those columns do not present consolidated information?  
   [AAG-SLG, par. 18.10; GASB 14, par. 49 (GASB Cod. Sec. 2200.112)]
3. 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)]  
   Yes No N/A

4. Has the entity refrained from labeling the component unit column(s) in the combined financial statements as "memorandum only"?  
   [GASB 14, par. 49 (GASB Cod. Sec. 2600.112)]  
   Yes No N/A

5. Does each page of the general purpose financial statements (GPFS) refer to the notes to financial statements and, if the summary of significant accounting policies is shown as a stand-alone summary, also to that summary?  
   [NCGAI 6, par. 8 (GASB Cod. Sec. 2300.110)]  
   Yes No N/A

6. Do the fund types used conform to those described in GASB Cod. Sec. 1300.104?  
   [NCGA 1, pars. 19, 20, and 26; GASB 6, pars. 13-15; GASB 31, pars. 17 and 18 (GASB Cod. Sec. 1300.104)]  
   Yes No N/A

7. Has the entity included only one column for any generic fund type?  
   [NCGA 1 (GASB Cod. Sec. 2200)]  
   Yes No N/A

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. 7 and 8 (GASB Cod. Sec. 2300.109 and .110); APB 22, par. 8 (AC A10.102)]  
   Yes No N/A

2. Does the summary of significant accounting policies address the following:  
   a. A description of component units and how they are reported, the criteria for including component units, and how to obtain separate financial statements for component units?  
      [NCGAI 6, par. 4 (GASB Cod. Sec. 2300.106a); GASB 14, par. 61 (GASB Cod. Sec. 2600.124)]  
      Yes No N/A

   b. 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, App. (GASB Cod. Sec. 2300.901)]  
      Yes No N/A

   c. A discussion of the measurement focus and basis of accounting for each fund type and recognition policies for material revenues and expenditures/expenses?  
      [NCGAI 6, par. 4 (GASB Cod. Sec. 2300.106a); NCGA 1, pars. 61, 62, 63, 66, 67, 69, 70, 72, 73, 74, and 91; NCGA 4, pars. 16 and 17, as amended by GASB 17, par. 6; NCGAI 3; SOP 75-3, par. 4; 1974 AAG-SLG, page 15; GASB 6, pars. 14, 15, and 17; GASB 16, par. 13; GASB 20, pars. 6 and 7; GASB 22, pars. 2 and 3; GASB 31, par. 13 (GASB Cod. Sec. 1600.105-127); NCGAI 6, App. (GASB Cod. Sec. 2300.901); AAG-SLG, par. 8.25]  
      Yes No N/A

   d. Method of encumbrance accounting and reporting?  
      [NCGAI 6, par. 4 (GASB Cod. Sec. 2300.106a); NCGA 1, pars. 91 and 92 (GASB Cod. Sec. 1700.129 and .130)]  
      Yes No N/A

* The guidance in this reference will be superseded, amended, or renumbered as a result of GASB 33, Accounting and Financial Reporting for Nonexchange Transactions, which is effective for financial statements for periods beginning after June 15, 2000, with earlier application encouraged. If applying GASB 33 prior to its effective date, also answer the questions in Appendix B, GASB 33—Accounting and Financial Reporting for Nonexchange Transactions.
e. Policy regarding the use of FASB pronouncements for proprietary activities?
   [GASB 20, pars. 6 and 7 (GASB Cod. Secs. P80.104, .105, and 2300.106a)]

f. Definition of cash and cash equivalents used in the statement of cash flows?
   [GASB 9, pars. 9–11 (GASB Cod. Sec. 2450.106–108 and GASB Cod. Sec. 2300.106a)]

g. Valuation bases for investments?
   [NCGAI 6, App. (GASB Cod. Sec. 2300.901); GASB 31, par. 15
   (GASB Cod. Sec. 150.119); AAG-SLG, pars. 7.15 and 14.15]

h. Policy regarding reporting infrastructure assets?
   [NCGAI 6, par. 4 (GASB Cod. Sec. 2300.106a); NCGA 1, par. 40
   (GASB Cod. Sec. 1400.109)]

i. 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)]

j. 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. 2300.107n)]

k. Policy regarding expenditure recognition of inventories—purchase or consumption method?
   [NCGA 1, par. 73 (GASB Cod. Sec 1600.124)]

l. Policy regarding vacation and sick leave?
   [NCGA 4 and GASB 16 (GASB Cod. Sec. C60); NCGAI 6, App.
   (GASB Cod. Sec. 2300.901)]

C. Accounting Changes

1. Is the implementation of any new accounting standards presented as provided for in the implementation section of the standard?
   [Generally Accepted]  

2. 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?
   c. Effect on excess of revenues over (under) expenditures or on income before extraordinary items and net income?
      [APB 20, pars. 17 and 19 (AC A06.113 and .115)]

3. If applicable, is the cumulative effect of an accounting change shown separately between the captions “extraordinary items” and “net income”?  
   [APB 20, pars. 18–26 (AC A06.114–.122)]

4. Are the effects of changes in accounting estimates disclosed?
   [APB 20, pars. 31–33 (AC A06.130–.132)]

5. 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 and .113)]
6. Is the nature of an error in previously issued financial statements and the effect of its correction on the excess of revenues over (under) expenditures or on net income before extraordinary items and net income disclosed in the period in which the error is discovered and corrected? [APB 20, par. 37 (AC A35.105)]

7. For prior-period adjustments:
   a. Are the resulting effects on the excess of revenues over (under) expenditures or net income of prior periods disclosed in the financial statements for the year in which the adjustments are made?
   b. For single-period statements, does the disclosure indicate the effects of such restatement on the balance of fund balance/retained earnings at the beginning of the period and on the excess of revenues over (under) expenditures or net income 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. 26 (AC A35.107)]

8. If the prior-period adjustments pertain to historical summaries of financial data, are the adjustments reflected therein with appropriate disclosure? [APB 9, par. 27 (AC A35.108)]

9. 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?
   b. Excess (deficiency) from continuing operations and excess (deficiency) for each prior interim period restated? [SFAS 16, par. 15 (AC A35.111)]

D. Comparative Financial Statements
1. Were comparative statements considered? [ARB 43, Ch. 2A, pars. 1 and 2 (AC F43.101 and .102)]

2. If comparative financial statements are presented, 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 comparative financial statements are presented and changes have occurred in the manner of or basis for presenting corresponding items for two or more periods, are appropriate explanations of the changes disclosed? [ARB 43, Ch. 2A, par. 3 (AC F43.103)]

E. Derivatives
1. Do disclosures for derivatives and similar debt and investment transactions include a discussion of the relevant accounting policies and
any other information necessary to keep the financial statements from being misleading?  
[GTB 94-1, par. 2; NCGA 1, par. 158; NCGAI 6, pars. 4 and 6 (GASB Cod. Secs. 2300.106, .108, and .601)]

2. If derivatives have been used, held, or written during the period covered by the financial statements, do disclosures include the nature of the transactions and the reasons for entering into them and a discussion of the entity’s exposure to credit, market, and legal risk?  
[GTB 94-1, par. 3 (GASB Cod. Sec. 2300.601)]

3. Is disclosure made if the entity has violated legal, regulatory, or contractual provisions by using, holding, or writing derivative during the period?  
[GTB 94-1, par. 2; NCGAI 6, par. 4 (GASB Cod. Sec. 2300.106 and .601)]

4. If the entity indirectly used, held, or wrote derivatives during the period and the information in Steps 1–3 is not available, is that fact disclosed?  
[GTB 94-1, par. 4 (GASB Cod. Sec. 2300.601)]

5. Have those proprietary funds that apply GASB 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting, paragraph 7, included those disclosures provided by SFAS 119?  
[GTB 94-1, par. 7 (GASB Cod. Sec. 2300.601); SFAS 119, pars. 10–12 (AC F25.115N–.115P)]

F. Investments

1. Are investments in interest-earning investment contracts; external investment pools; open-end mutual funds; debt securities; and equity securities, including unit investment trusts and closed-end mutual funds, option contracts, stock warrants, and stock rights that have readily determinable fair values measured at fair value, except as provided for in GASB Cod. Sec. IS0.106, .107, and .110?  
[GASB 31, pars. 2 and 7 (GASB Cod. Sec. IS0.101 and .105)]

2. If an entity has purchased put option contracts or written call option contracts on securities and it has those same securities among its investments, has it considered those contracts in determining the fair value of those securities to the extent that it does not report those contracts at fair value?  
[GASB 31, par. 7 (GASB Cod. Sec. IS0.105)]

3. For investments that are reported using cost-based measures, have unrealized losses been properly recorded due to decreases in fair value when the decline in value is not due to a temporary condition?  
[GASB 10, par. 44, as amended by GASB 31, par. 6 (GASB Cod. Sec. Po20.142); AAG–SLG, par. 7.15]

SFAS 133, Accounting for Derivative Instruments and Hedging Activities, supersedes SFAs 80, 105, and 119 and amends various pronouncements, including SFAS 107. SFAS 133 is effective for all fiscal quarters of fiscal years beginning after June 15, 1999; however, the FASB has issued an exposure draft that would defer its effective date for one year. If applicable, checklist users applying this Statement prior to its effective date should consider its effect on disclosures.

These questions on investments do not apply to defined benefit pension plans or to governmental external investment pools. See the separate sections for those types of entities and funds. See also the separate section on Internal Revenue Code Section 457 deferred compensation plans concerning the investments made by those plans.
4. Is all investment income, including the change in the fair value of investments, reported as revenue in the operating statement (or other statement of activities)?
   [GASB 31, par. 13 (GASB Cod. Sec. I50.111)]

5. If identified separately as an element of investment income, is the change in the fair value of investments captioned “net increase (decrease) in the fair value of investments”?
   [GASB 31, par. 13 (GASB Cod. Sec. I50.111)]

6. Are realized gains and losses not displayed separately from the net increase (decrease) in the fair value of investments in the financial statements?
   [GASB 31, par. 13 (GASB Cod. Sec. I50.111)]

7. For investments reported at fair value, is interest income reported at the stated interest rate, without any premiums or discounts amortized?
   [GASB 31, fn. 7 (GASB Cod. Sec. I50, fn. 7)]

8. Is the equity position of each fund or component unit in an internal investment pool reported as assets in those funds and component units, that is, as, for example, “equity in cash management pool,” “equity in internal investment pool,” “cash and cash equivalents,” or “investments”?
   [AAG–SLG, par. 7.14; GASB 31, par. 14 (GASB Cod. Sec. I50.112)]

9. If income from investments associated with one fund is assigned to another fund because of legal or contractual provisions, is the accounting treatment based on the specific language of the legal or contractual provisions?²
   [GASB 31, par. 14 and fn. 8 (GASB Cod. Sec. I50.112 and fn. 8)]

10. If investment income is assigned to another fund for other than legal or contractual reasons—for example, management decision—is the income recognized in the fund that reports the investments, with the transfer of that income to the recipient fund reported as an operating transfer?
    [GASB 31, par. 14 (GASB Cod. Sec. I50.112)]

11. If the entity provides individual investment accounts to other, legally separate entities that are not part of the same financial reporting entity, are those investments reported in one or more separate investment trust funds?
    [GASB 31, par. 20 (GASB Cod. Sec. I50.118)]

    a. Does the entity present for each of those investment trust funds a statement of net assets and a statement of changes in net assets?
    [GASB 31, par. 18 (GASB Cod. Sec. I50.116)]

12. Does the entity make the following disclosures in the notes to the financial statements:
    a. The methods and significant assumptions used to estimate the fair value of investments, if that fair value is based on other than quoted market prices?
    b. The policy for determining which investments, if any, are reported at amortized cost?

² Concerning Steps 9 and 10, colleges and universities that follow the AICPA College Guide model and entities that follow the AICPA Not-for-Profit model should follow the provisions of those models for assigning investment income, including changes in the fair value of investments, to funds. [GASB 31, par. 14 (GASB Cod. Sec. I50.112)]
c. For any investments in external investment pools that are not SEC-registered, a brief description of any regulatory oversight for the pool and whether the fair value of the position in the pool is the same as the value of the pool shares?  

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d. Any involuntary participation in an external investment pool?  

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e. If an entity cannot obtain information from a pool sponsor to allow it to determine the fair value of its investment in the pool, the methods used and significant assumptions made in determining that fair value and the reasons for having had to make such an estimate?  

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<th>Yes</th>
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f. Any income from investments associated with one fund that is assigned to another fund?  

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[GASB 31, par. 15 (GASB Cod. Sec. I50.119)]

13. If the entity discloses realized gains and losses in the notes to the financial statements for those investments that are reported at fair value:

a. Is the amount computed as the difference between the proceeds of the sale and the original cost of the investments sold?  

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b. Does the entity also disclose that the calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments and that realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year(s) and the current year?  

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[GASB 31, par. 15 (GASB Cod. Sec. I50.119)]

G. Reverse Repurchase Agreements and Securities Lending Transactions

1. Is the interest cost of reverse repurchase and fixed coupon reverse repurchase agreements reported as interest expenditure/expense, and not netted with interest earned on any related investments?  

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<th>Yes</th>
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[GASB 3, par. 82 (GASB Cod. Sec. I55.115)]

2. Are the income and costs arising from pooled reverse repurchase agreements reported in the operating statements of the funds in accordance with the provisions of GASB 3, paragraph 4?  

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<th>Yes</th>
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[GASB 3, par. 4 (GASB Cod. Sec. I55.117)]

3. Are yield maintenance reverse repurchase agreements accounted for as sales and purchases of securities, with gains or losses recognized?  

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<th>Yes</th>
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[GASB 3, par. 83 (GASB Cod. Sec. I55.118)]

4. Are the costs of securities lending transactions, including borrower rebates (which should be reported as interest expenditures or expenses) and agent fees, reported as expenditures or expenses in the operating statement, and not netted with interest revenue or income from the investment of cash collateral, any other related investments, or loan premiums or fees?  

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<th>Yes</th>
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[GASB 28, par. 8 (GASB Cod. Sec. I60.106)]

5. Are the income and costs arising from pooled securities lending transactions reported in the operating statements of the funds in accordance with the provisions of GASB 28, paragraph 10?  

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[GASB 28, par. 10 (GASB Cod. Sec. I60.108)]
H. Nonmonetary Transactions

1. Do disclosures for nonmonetary transactions include information about the nature of the transactions, the basis of accounting for the assets transferred, and gains or losses recognized on the transfers? [APB 29, par. 28 (AC N35.120)]

I. Joint Costs That Include Fund Raising

1. If the entity allocates joint costs among fund raising and other functions, are the following disclosures made:
   a. The types of activities for which joint costs have been incurred?
   b. A statement that such costs have been allocated?
   c. The total amount allocated during the period and the portion allocated to each functional expense category?
   d. The amount of joint costs for each kind of joint activity? [SOP 98-2, pars. 18 and 19]

J. Contingencies and Commitments (See also Sections W, Risk Financing and Related Financing Issues—Public Entity Risk Pools, and X, Risk Financing and Related Financing Issues—Entities Other Than Risk Pools)

1. Does the entity apply the criteria of SFAS 5 for recognizing a loss liability resulting from all claims that result from actions not included in the scope of GASB Cod. Sec. C50, including contractual actions (such as claims for delays or inadequate specifications on contracts) guarantees of the indebtedness of others, property tax appeals, and unemployment compensation claims? [NCGA 4, pars. 9 and 14, as amended by GASB 10 (GASB Cod. Sec. C50.146)]

2. For loss contingencies not accrued, do disclosures indicate:
   a. The nature of contingency?
   b. An estimate of possible loss or range of loss, or a statement that such estimate cannot be made? [GASB 10, par. 58 (GASB Cod. Sec. C50.115)]

3. Are guarantees of the entity disclosed in the financial statements, even if the possibility of default is remote, including situations in which the entity is contingently liable for proprietary fund or trust fund indebtedness? [SFAS 5, par. 12; FASBI 34, pars. 2 and 3 (AC C59.113 and .114); AAG-SLG, par. 11.32; NCGA 1, par. 46, as amended by NCGAI 6 (GASB Cod. Sec. 1500.110)]

4. Are any moral obligations assumed by the entity disclosed? [AAG-SLG, par. 11.32]

5. Are the following disclosed for conduit debt obligations:
   a. A general description of the conduit debt transactions?
   b. The aggregate amount of all conduit debt obligations outstanding at the balance sheet date?
c. A clear indication that the issuer has no obligation for the debt beyond the resources provided by related leases or loans? [GASBI 2, par. 3 (GASB Cod. Sec. C65.102)]

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, par. 17.12]

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 a reservation of fund balance? [NCGA 1, par. 91 (GASB Cod. Sec. 1700.129d)]

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

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

11. Is disclosure made of construction commitments? [NCGA 1, par. 158, NCGAI 6, par. 4 (GASB Cod. Sec. 2300.106k)]

12. If intergovernmental grant revenues are subject to adjustment (for example, if significant questioned costs may be identified in a grant compliance audit), has the entity considered whether a loss contingency exists and, if so, if a liability recorded or additional disclosure made? [AAG-SLG, par. 8.25]

13. Is disclosure made of environmental remediation loss contingencies as provided for in SOP 96-1, pars. 7.19–7.27? [SOP 96-1, par. 7.19–7.27 (TPA 10,680.160–168)]

K. Subsequent Events

1. Are the financial statements adjusted for any changes in estimates resulting from subsequent events that provide additional evidence about conditions that existed at the balance-sheet date? [NCGA 4, pars. 9 and 14, as amended by GASB 10 (GASB Cod Sec. C50.146); GASB 10, par. 53 (GASB Cod. Sec. C50.110); SFAS 5, par. 8 (AC C59.105); SAS 1, sec. 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? ____ ____ ____
   [NCGA 1, par. 158; NCGAI 6, par. 4 (GASB Cod. Sec. 2300.106); SFAS 5, par. 11 (AC C59.112); SAS 1, sec. 560.05-.07 and .09 (AU 560.05-.07 and .09)]

3. 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? ____ ____ ____
   [GASB 10, par. 80 (GASB Cod. Sec. C50.145)]

L. 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 an operating statement 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 an operating statement is 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? ____ ____ ____
   [NCGAI 6, par. 5 (GASB Cod. Sec. 2300.107g); SFAS 57, pars. 2-4 (AC R36.102–104); SAS 45, par. 11 (AU 334.11 and .12); AAG-SLG, par. 17.06]

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

4. If the entity is a related organization, does it disclose the primary government that is accountable for it and describe its relationship with that primary government? ____ ____ ____
   [GASB 14, par. 68 (GASB Cod. Sec. 2600.131)]

M. Component Units

1. Is a component unit included in the reporting entity’s financial statements using the blending method only if either of these circumstances is met:

---

3 The requirements discussed in this section should be applied in the separately issued financial statements of a governmental component unit as if it were a primary government. [GASB 14, par. 65 (GASB Cod. Sec. 2600.128)]
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)]

2. Has the entity used the discrete presentation method to present component units that do not meet the criteria for blending?

[GASB 14, par. 44 (GASB Cod. Sec. 2600.107)]

3. If the intent of the primary government in obtaining a majority of the voting stock of 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)]

4. 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)]

5. 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)]

6. Does the reporting entity’s combined statement of revenues, expenses, and changes in retained earnings/fund balances or fund equity and combined statement of cash flows include one or more columns to display the activities of discretely presented component units that use proprietary fund accounting?

[GASB 14, par. 46 (GASB Cod. Sec. 2600.109)]

7. 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, pars. 44–46 (GASB Cod. Sec. 2600.107–109)]

8. 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)]

9. 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 bal-
ances and a statement of current funds revenues, expenditures, and other changes?

[GASB 14, par. 48 (GASB Cod. Sec. 2600.111)]

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10. Are the legally adopted, appropriated budgets of the governmental funds of blended component units presented in the combined statement of revenues, expenditures, and changes in fund balances—budget and actual?

[GASB 14, par. 56 (GASB Cod. Sec. 2600.119)]

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11. 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. 2600.114)]

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12. If the condensed financial statement disclosure approach is taken, are the following details separately presented for each major component unit and the aggregate of nonmajor component units:

a. Condensed balance sheet:

   (1) Current assets (amounts due from the primary government and other component units should be separately identified)?

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   (2) Property, plant, and equipment (including general fixed assets)?

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<tr>
<th>Yes</th>
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   (3) Amounts to be provided (and available) for the retirement of general long-term debt?

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   (4) Current liabilities (amounts due to the primary government and other component units should be separately identified)?

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   (5) Bonds and other long-term liabilities outstanding (amounts due to the primary government and other component units should be separately identified)?

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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)?

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   (2) Operating expenses (depreciation, depletion, and amortization expense should be separately identified)?

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   (3) Operating income or loss (operating revenues less operating expenses)?

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   (4) Operating grants, entitlements, and shared revenues?

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   (5) Transfers to/from the primary government and other component units?

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   (6) Tax revenues?

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   (7) Net income or loss (total revenues less total expenses)?

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<th>Yes</th>
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   (8) Current capital contributions?

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<th>Yes</th>
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   [GASB 14, par. 51 (GASB Cod. Sec. 2600.114)]

20
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)]

13. Is the general fund of the reporting entity the general fund of the primary government?
   [GASB 14, par. 54 (GASB Cod. Sec. 2600.117)] _______  _______  _______

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

15. Are transfers between the primary government and its blended component units reported as required by GASB Cod. Sec. 1800.102-.107 for interfund transfers, and separately from interfund transfers (for example, as transfers to/from component units)?
   [GASB 14, par. 57 (GASB Cod. Sec. 2600.120)] _______  _______  _______

16. Are receivables and payables between the primary government and its blended component units reported in the same manner amounts due to and from other funds, but separately from interfund balances (for example, as due to/from component units)?
   [GASB 14, par. 57 (GASB Cod. Sec. 2600.120)] _______  _______  _______

17. Are lease arrangements between the primary government and blended component units (or between blended component units) eliminated as provided in GASB Cod. Sec. L20.125?
   [GASB 14, par. 58 (GASB Cod. Sec. 2600.121)] _______  _______  _______

18. Are capital lease arrangements between the primary government and discretely presented components reported as capital lease transactions?
   _______  _______  _______

   a. Are the capital lease-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. Secs. 2600.121 and L20.126)] _______  _______  _______

19. 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 or within the first quarter of the reporting entity's subsequent fiscal year?
   [GASB 14, par. 59 (GASB Cod. Sec. 2600.122)] _______  _______  _______
20. 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)]

21. 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)]

22. Are note disclosures that are essential to the fair presentation of the reporting entity made for individual discretely presented component units considering both (a) the unit's significance relative to the total discretely presented component units and (b) the nature and significance of the unit's relationship to the primary government?  
[GASB 14, par. 63 (GASB Cod. Sec. 2600.126)]

23. For separate financial statements for a component unit, do the notes acknowledge and describe the relationship of the component unit to the primary government?  
[GASB 14, par. 65 (GASB Cod. Sec. 2600.128)]

N. Joint Ventures and Jointly Governed Organizations

1. For proprietary funds that participate in joint ventures in which there is an equity interest:
   a. Does the "investment in joint venture" account report the entity's equity interest calculated in accordance with the joint venture agreement?  
      ___  ___  ___

   b. Is the equity interest reported in the proprietary fund's balance sheet as a single amount?  
      ___  ___  ___

   c. Is the fund's share of the joint venture's net income or loss reported in its operating statement as a single amount?  
      ___  ___  ___

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

2. For governmental funds that participate in joint ventures in which there is an equity interest:
   a. Is all or a portion of the equity interest reported in the GFAAG, calculated in accordance with the joint venture agreement?  
      ___  ___  ___

   b. Is the amount reported in the GFAAG the total equity adjusted for any portion of the equity interest that is included in the balance sheet of the governmental fund?  
      ___  ___  ___

   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?  
      ___  ___  ___

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

3. For all joint ventures and for jointly governed organizations in which the entity has an ongoing financial interest or responsibility, does it disclose the following:
a. A general description of each joint venture, including:

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<td>1.</td>
<td>A description of the participating government’s ongoing financial interest (including its equity interest, if applicable) or ongoing financial responsibility?</td>
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<td>2.</td>
<td>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?</td>
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<td>3.</td>
<td>Information about the availability of separate financial statements of the joint venture?</td>
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<td>4.</td>
<td>Disclosure of any other information required for related-party transactions?</td>
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4. 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 by using capital lease accounting rather than by reporting a participant’s equity interest (if any) in the joint authority?

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O. Component Units and Related Organizations With Joint Venture Characteristics

1. If another organization has joint venture characteristics but meets the component unit or related organization criteria, does the entity report that organization as a component unit or related organization in the entity’s financial statements?

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2. Does the other 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”?

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3. If the entity is a minority participant in an organization with joint venture characteristics, does it disclose the nature of its participation in the organization?

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P. 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?

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<th>Yes</th>
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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 as provided in Step 1 above and its equity interest in accordance with the provisions of GASB Cod. Sec. J50.106 and .107?

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### Q. Defined Benefit Pension Plans

1. Does the financial report of a defined benefit pension plan include:
   - A statement of plan net assets?
   - A statement of changes in plan net assets?
   - A schedule of funding progress?
   - A schedule of employer contributions?
   
   [GASB 25, par. 19 (GASB Cod. Sec. Pe5.111)]

2. Are plan assets subdivided into:
   - The major categories of assets held (for example, cash and cash equivalents, receivables, investments, and assets used in plan operations)?
   - The principal components of the receivables and investments categories?
   
   [GASB 25, par. 21 (GASB Cod. Sec. Pe5.113)]

3. Are plan receivables for contributions from the employer(s), plan members, and other contributors include those due pursuant to formal commitments as well as statutory or contractual requirements, including those due more than one year after the reporting date pursuant to, for example, installment contracts?
   
   [GASB 25, pars. 22 and 23 (GASB Cod. Sec. Pe5.114 and .115)]

4. Are plan investments reported as follows:
   - At their fair value (excluding insurance contracts and certain interest-earning investment contracts)?
   - Unallocated insurance contracts at contract value?
   - Allocated insurance contracts excluded from plan assets?
   
   [GASB 25, par. 24; GASB 31, par. 4 (GASB Cod. Sec. Pe5.116)]

5. If a plan has purchased put option contracts or written call option contracts on securities and it has those same securities among its investments, has it considered those contracts in determining the fair value of those securities to the extent that it does not report those contracts at fair value?
   
   [GASB 31, pars. 4 and 7 (GASB Cod. Sec. I50.103 and .105)]

6. Are plan assets used in plan operations reported at historical cost less accumulated depreciation or amortization?
   
   [GASB 25, par. 25 (GASB Cod. Sec. Pe5.117)]

7. Are plan liabilities for benefits and refunds due to plan members and beneficiaries recognized when due and payable in accordance with the terms of the plan?
   
   [GASB 25, par. 26 (GASB Cod. Sec. Pe5.118)]

8. Are benefits payable from contracts excluded from plan assets for which payments to the insurance company have been made excluded from plan liabilities?
   
   [GASB 25, par. 26 (GASB Cod. Sec. Pe5.118)]

---

4 The provisions of this section apply separately to each defined benefit pension plan administered and apply at the aggregate plan level for each agent multiple-employer plan administered. See GASB 25, par. 16 (Pe5.108), for determining whether there is more than one plan. [GASB 25, par. 15 (GASB Cod. Sec. Pe5.107)]

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9. Is the difference between total plan assets and total plan liabilities at the reporting date:
   a. Captioned "net assets held in trust for pension benefits"?  
   b. Followed by a parenthetical reference to the plan's schedule of funding progress?  
      [GASB 25, par. 27 (GASB Cod. Sec. Pe5.119)]

10. Is the statement of changes in plan net assets presented in two principal sections—"additions" and "deductions"—and the difference between total additions and deductions reported as the "net increase (or decrease)" for the year in plan net assets?  
    [GASB 25, par. 28 (GASB Cod. Sec. Pe5.120)]

11. Does the additions section of the statement of changes in plan net assets include the information in these four categories, separately displayed:
   a. Contributions from the employer(s)?  
   b. Contributions from plan members, including those transmitted by the employer(s)?  
   c. Contributions from sources other than the employer(s) and plan members?  
   d. Net investment income, including:
      (1) the net appreciation (depreciation) in the fair value of plan investments?  
      (2) interest income, dividend income, and other income not included in (1)?  
      (3) total investment expense, separately displayed, including investment management and custodial fees and all other significant investment-related costs?  
         [GASB 25, par. 29 (GASB Cod. Sec. Pe5.121)]

12. Does the deductions section of the statement of changes in plan net assets include through a separate display:
   a. Benefits and refunds paid to plan members and beneficiaries?  
   b. Total administrative expense?  
      [GASB 25, par. 30 (GASB Cod. Sec. Pe5.122)]

13. Do benefits paid not include payments made by an insurance company in accordance with a contract that is excluded from plan assets?  
    (Amounts paid by the plan to an insurance company pursuant to such a contract, including purchases of annuities with amounts allocated from existing investments with the insurance company, should be included in benefits paid.)  
    [GASB 25, par. 31 (GASB Cod. Sec. Pe5.123)]

14. Do the notes to the financial statements of a defined benefit pension plan include the following disclosures when the financial statements are presented in a stand-alone plan financial report or solely in the financial report of an employer (pension trust fund)?  

---

5 When a plan's financial statements are included in the financial report of the employer or sponsor, this amount should be captioned "fund balance reserved for employees' pension benefits". [GASB 25, fn. 9 (GASB Cod. Sec. Pe5, fn. 10)]

6 Components (1) and (2) of net investment income may be separately displayed or combined and reported as one amount. [GASB 25, fn. 11 (GASB Cod. Sec. Pe5, fn. 12)]
a. A plan description, including:

(1) Identification of the plan as a single-employer, agent multiple-employer, or cost-sharing multiple-employer defined benefit pension plan and disclosure of the number of participating employers and other contributing entities?

(2) Classes of employees covered (for example, general employees and public safety employees) and the current membership, including the number of retirees and beneficiaries currently receiving benefits, terminated members entitled to but not yet receiving benefits, and current active members? (If the plan is closed to new entrants, that fact should be disclosed.)

(3) Brief description of benefit provisions, including the types of benefits, the provisions or policies with respect to automatic and ad hoc postretirement benefit increases, and the authority under which benefit provisions are established or may be amended?

b. A summary of significant accounting policies, including:

(1) Basis of accounting, including the policy with respect to the recognition in the financial statements of contributions, benefits paid, and refunds paid?

(2) Brief description of how the fair value of investments is determined?

c. Contributions and reserves, including:

(1) Authority under which the obligations to contribute to the plan of the plan members, employer(s), and other contributing entities are established or may be amended?

(2) Funding policy, including a brief description of how the contributions of the plan members, employer(s), and other contributing entities are determined (for example, by statute, through an actuarial valuation, or in some other manner) and how the costs of administering the plan are financed?

(3) Required contribution rates of active plan members, in accordance with the funding policy?

(4) A brief description of the terms of any long-term contracts for contributions to the plan and disclosure of the amounts outstanding at the reporting date?

(5) The balances in the plan's legally required reserves at the reporting date? (Amounts of net assets designated by the plan's board of trustees or other governing body for a specific purpose(s) also may be disclosed but should be captioned designations, rather than reserves.)

(6) A brief description of the purpose of each reserve and designation disclosed and whether the reserve is fully funded?

d. Identification of concentrations in investments (other than those issued or guaranteed by the U.S. government) in any one organization that represent 5 percent or more of plan net assets?

[GASB 25, par. 32 (GASB Cod. Sec. Pe5.124)]

e. The investment disclosures required by GASB Cod. Sec. 150.119?

[GASB 31, par. 15 (GASB Cod. Sec. 150.119)]
15. If realized gains and losses are disclosed in the notes to financial statements, do the amounts disclosed include all realized gains and losses for the year and does the disclosure state that (a) the calculation of realized gains and losses is independent of the calculation of net appreciation (depreciation) in the fair value of plan investments and (b) unrealized gains and losses on investments sold in the current year that had been held for more than one year were included in the net appreciation (depreciation) reported in the prior year(s) and the current year? [GASB 25, fn. 10 (GASB Cod. Sec. Pe5, fn. 11)]

16. If a plan’s financial statements are presented in both an employer’s report and a publicly available stand-alone plan financial report that complies with GASB 25, and limits its pension trust fund disclosures to those required by Steps 14.a.(1), 14.b, 14.c.(4), and 14.d above, is there disclosure information about how to obtain the stand-alone plan financial report? [GASB 25, par. 32 (GASB Cod. Sec. Pe5.124)]

17. Except as provided in Steps 18–20 below, are the schedules of funding progress and employer contributions presented immediately after the notes to financial statements for all years required? [GASB 25, par. 33 (GASB Cod. Sec. Pe5.125)]

18. Is the plan using the aggregate actuarial cost method in accordance with the parameters in GASB 25 and thus exempt from presenting a schedule of funding progress? [GASB 25, fn. 17 (GASB Cod. Sec. Pe5, fn. 18)]

19. If the financial statements of a cost-sharing or agent plan are included in the employer’s report, do the notes to financial statements disclose how to obtain the stand-alone plan financial report that includes the schedules of funding progress and employer contributions? [GASB 25, par. 34 (GASB Cod. Sec. Pe5.126)]

20. If the financial statements of a single-employer plan are included in the employer’s report, are the following disclosed? If these conditions are met, neither schedule is required to be presented in the employer’s report. See footnote 8.
   a. The availability of the stand-alone plan report?
   b. The information required for the schedule of funding progress for the three most recent actuarial valuations?
   c. The actuarial valuation date?
   d. The actuarial value of plan assets?

7 For the transition year and the following five years, the schedules should include information for the current year and as many of the prior years as information according to the parameters of paragraphs 35 and 36 of GASB 25 is available. The schedules should not include information that does not meet the parameters. Also, plans may elect to report the information specified for one or both of the required schedules in (a) a statement of funding progress and/or a statement of employer contributions presented in addition to and separate from the statement of plan net assets and statement of changes in plan net assets or (b) the notes to the financial statements. [GASB 25, par. 39 and fn. 18 (GASB Cod. Sec. Pe5.131 and fn. 19)]

8 If these conditions are met, neither schedule is required to be presented in the employer’s report.

9 See footnote 8.
c. The actuarial accrued liability?  
 Yes  No  N/A


d. The total unfunded actuarial liability?  
 Yes  No  N/A


e. The actuarial value of assets as a percentage of the actuarial 
accrued liability (funded ratio)?  
 Yes  No  N/A


f. The annual covered payroll?  
 Yes  No  N/A

g. The ratio of the unfunded actuarial liability to annual covered 
payroll?  
 Yes  No  N/A


22. Is all information presented in the schedule of funding progress 
presented as of the actuarial valuation date?  
 Yes  No  N/A


23. Does the schedule of employer contributions include the following 
information for each of the past six consecutive fiscal years of the plan:  

a. The dollar amount of the ARC applicable to that year?  
 Yes  No  N/A


b. The percentage of that ARC that was recognized in the plan’s 
statement of changes in plan net assets for that year as contribu­
tions from the employer(s)?  
 Yes  No  N/A


24. If the plan’s funding policy includes contributions from sources other 
than plan members and employer(s), are the required contributions 
of those other contributing entities and the percentage recognized 
included in the schedule, which is then appropriately titled to indicate 
that it includes contributions from non-employer entities?  
 Yes  No  N/A


25. Do the following note disclosures accompany the schedules of re­
quired supplementary information:  

a. Identification of the actuarial methods and significant assumptions 
used for the most recent year reported in the required sched­
ules, including:  

(1) The actuarial cost method?  
 Yes  No  N/A


(2) The method(s) used to determine the actuarial value of as­
sets?  
 Yes  No  N/A


(3) The assumptions with respect to the inflation rate, investment 
return, projected salary increases, and postretirement benefit 
increases?  
 Yes  No  N/A


(4) The amortization method (level dollar or level percentage of 
projected payroll) and the amortization period (equivalent 
single amortization period, for plans that use multiple peri­
dods) for the most recent actuarial valuation and whether the 
period is closed or open? (Plans that use the aggregate actu­
arial cost method should disclose that the method does not 
identify or separately amortize unfunded actuarial liabili­
ties.)  
 Yes  No  N/A


b. Factors that significantly affect the identification of trends in the 
amounts reported in the required schedules, including, for exam­
ple, changes in benefit provisions, the size or composition of the 
population covered by the plan, or the actuarial methods and 
assumptions used?  
 Yes  No  N/A


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R. Defined Contribution Pension Plans

1. Do the notes to the financial statements of the plan include the following disclosures when the financial statements are presented in a stand-alone report or solely in the financial report of an employer:

   a. A plan description, including:

      (1) Identification of the plan as a defined contribution plan and disclosure of the number of participating employers and other contributing entities? __

      (2) Classes of employees covered (for example, general employees, public safety employees) and the total current membership? __

      (3) Brief description of plan provisions and the authority under which they are established or may be amended? __

      (4) Contribution requirements (for example, the contribution rates in dollars or as a percentage of salary) of the plan members, employer(s), and other contributing entities and the authority under which the requirements are established or may be amended? __

   b. A summary of significant accounting policies, including the basis of accounting, fair value of plan assets (unless plan assets are reported at fair value), and a brief description of how the fair value is determined? __

   c. Identification of concentrations in investments (other than those issued or guaranteed by the U.S. government) in any one organization that represent 5 percent or more of plan net assets? __

   [GASB 25, par. 41 (GASB Cod. Sec. Pe6.104)]

2. When a plan's financial statements are presented in both an employer's report and a publicly available stand-alone plan financial report that includes all disclosures indicated in Step 1 above, and the employer limits its plan disclosures to those in Steps 1.a.(1), 1.b, and 1.c, has the employer disclosed information about how to obtain the stand-alone plan financial report? __

   [GASB 25, par. 41 (GASB Cod. Sec. Pe6.104)]

S. Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans

1. For a defined benefit pension plan that administers a postemployment healthcare plan, does the financial report of the defined benefit pension plan include the following prepared in accordance with the pension plan reporting standards of GASB 25:

   a. A statement of postemployment healthcare plan net assets? __

   b. A statement of changes in postemployment healthcare plan net assets? __

   c. Notes to the financial statements that also include a brief description of the eligibility requirements for postemployment healthcare benefits and the required contribution rate(s) of the employer(s)? __

   [GASB 26, par. 7 (GASB Cod. Sec. Po50.105)]
2. Is all required financial statement information for pensions and healthcare presented in separate columns of combining financial statements? \[GASB 26, par. 7 (GASB Cod. Sec. Po50.105)\]

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3. Although not required, if supplementary information (the schedules of funding progress and employer contributions and the related note disclosures) is reported for the postemployment healthcare plan, does it include all information that is required for the pension plan and is it presented separately either in separate healthcare schedules or in separate columns of combining pension and healthcare schedules? \[GASB 26, par. 8 (GASB Cod. Sec. Po50.106)\]

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   a. Does the plan disclose the methods and assumptions used in preparing the supplementary information?

   b. Does the plan disclose the healthcare inflation assumption for the most recent year reported in the supplementary schedules? \[GASB 26, par. 9 (GASB Cod. Sec. Po50.107)\]

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T. Employers' Accounting for Pensions

Single Employer and Agent Multiple Employer Defined Benefit Pension Plans

1. Is the annual required contributions of the employer (ARC) reported for the current year for each plan based on the results of an actuarial valuation performed in accordance with the parameters as of a date not more than 24 months before the beginning of the employer's fiscal year (first fiscal year, if actuarial valuations are biennial)? \[GASB 27, par. 9 (GASB Cod. Sec. P20.106)\]

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2. Are the actuarial methods and assumptions applied for employer financial reporting the same methods and assumptions applied in determining the plan's funding requirements, unless compliance with GASB 27, paragraph 10, requires the use of different methods or assumptions? \[GASB 27, par. 10 (GASB Cod. Sec. P20.107)\]

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3. Are pension expenditures from governmental and expendable trust funds recognized on the modified accrual basis? \[GASB 27, par. 16 (GASB Cod. Sec. P20.113)\]

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10. When the defined benefit pension plan is included in the financial reporting entity of the sponsor or employer (pension trust fund), combining statements of pension plan net assets and postemployment healthcare plan net assets are not required. However, the fund balance of the combined statement for the pension trust fund should be subdivided and reported as, respectively, fund balance reserved for employees' pension benefits and fund balance reserved for employees' postemployment healthcare benefits. The net increase or decrease for the year in net assets should be similarly subdivided in the combined statement of changes in plan net assets. \[GASB 26, fn. 4 (GASB Cod. Sec. Po50, fn. 4)\]

11. Some governmental entities are legally responsible for contributions to pension plans that cover the employees of another governmental entity or entities. In those cases, the entity that is legally responsible for the contributions should comply with all applicable provisions of GASB 27 for measurement and recognition of expenditures/expense, liabilities, assets, note disclosures, and required supplementary information. If the plan is a defined benefit pension plan and the entity with legal responsibility for contributions is the only contributing entity, the requirements of GASB 27 for single employer defined benefit pension plans apply, regardless of the number of entities whose employees are covered by the plan. \[GASB 27, par. 28 (GASB Cod. Sec. P20.125)\] GASB Cod. Sec. G60.121—125 provides recognition and reporting guidance for employer governments for on-behalf payments for fringe benefits, including payments for pension contributions. Note that GASB Cod. Sec. G60.121—125 will be superseded as a result of GASB 33, Accounting and Financial Reporting for Nonexchange Transactions, which is effective for financial statements for periods beginning after June 15, 2000, with earlier application encouraged. If applying GASB 33 prior to its effective date, also answer the questions in Appendix B, GASB 33—Accounting and Financial Reporting for Nonexchange Transactions.

12. Even if the valuation is not more than 24 months old, a new valuation should be performed if significant changes have occurred since the previous valuation in benefit provisions, the size or composition of the population covered by the plan, or other factors that affect the results of the valuation. \[GASB 27, par. 9 (GASB Cod. Sec. P20.106)\]
4. If the amount of pension expenditures recognized for the year in relation to the ARC is less than (greater than) annual pension cost, is the difference added to (deducted from) the NPO, with a positive year-end balance in the NPO reported in the GLTDAG as the year-end liability in relation to the ARC and a negative year-end balance reducing a previously reported liability to zero? **Yes** **No** **N/A**

   [GASB 27, par. 16 (GASB Cod. Sec. P20.113)]

5. Are pension expenses of proprietary and similar trust funds and all other entities that apply proprietary fund accounting recognized on the accrual basis, equal to annual pension cost, with the NPO adjusted for any difference between contributions made and pension expense and a positive (negative) year-end balance in the NPO recognized as the year-end liability (asset) in relation to the ARC? **Yes** **No** **N/A**

   [GASB 27, par. 17 (GASB Cod. Sec. P20.114)]

6. For colleges and universities that apply the AICPA College Guide model, are pension expenditures and related pension liabilities (assets) recognized on the accrual basis, consistent with Step 5, and generally charged to the unrestricted current fund? **Yes** **No** **N/A**

   [GASB 27, par. 18 (GASB Cod. Sec. P20.115)]

7. Is the following information included in the notes to the financial statements for each plan:\(^{13,14}\)

   a. A plan description, including:

   (1) Name of the plan, identification of the public employee retirement system or other entity that administers the plan, and identification of the plan as a single-employer or agent multiple-employer defined benefit pension plan? **Yes** **No** **N/A**

   (2) Brief description of the types of benefits and the authority under which benefit provisions are established or may be amended? **Yes** **No** **N/A**

   (3) Whether the pension plan issues a stand-alone financial report, or is included in the report of a public employee retirement system or another entity, and, if so, how to obtain the report? **Yes** **No** **N/A**

   b. The funding policy:

   (1) Authority under which the obligations to contribute to the plan of the plan members, employer(s), and other contributing entities (for example, state contributions to local government plans) are established or may be amended? **Yes** **No** **N/A**

   (2) Required contribution rate(s) of active plan members? **Yes** **No** **N/A**

   (3) Required contribution rate(s) of the employer in accordance with the funding policy, in dollars or as a percentage of current-year covered payroll? (If the rate differs significantly from the ARC, disclose how the rate is determined—for example, by statute or contract, or the plan is financed on a pay-as-you-go basis.) **Yes** **No** **N/A**

---

\(^{13}\) Disclosures for more than one plan should be combined in a manner that avoids unnecessary duplication. [GASB 27, par. 20 (GASB Cod. Sec. P20.117)]

\(^{14}\) GASB 25 includes the requirements for the notes to the financial statements (and schedules of required supplementary information, if applicable) of pension trust funds included in the employer’s financial reports. When similar information is required by GASB 27 and GASB 25, the employer should present the disclosures in a manner that avoids unnecessary duplication. [GASB 27, fn. 15 (GASB Cod. Sec. P20, fn.15)]
c. For the current year, annual pension cost and the dollar amount of contributions made?

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<th>Yes</th>
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d. If the employer has an NPO, the components of annual pension cost (ARC, interest on the NPO, and adjustment to the ARC), the increase or decrease in the NPO, and the NPO at the end of the year?

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<th>Yes</th>
<th>No</th>
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e. For the current year and each of the two preceding years, annual pension cost, percentage of annual pension cost contributed that year, and NPO at the end of the year?¹⁵

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<th>Yes</th>
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f. Date of the actuarial valuation and identification of the actuarial methods and significant assumptions used to determine the ARC for the current year and the most current information in the required supplementary information in Step 8 below, including the actuarial cost method, the method(s) used to determine the actuarial value of assets, and the assumptions with respect to the inflation rate, investment return, projected salary increases, and postretirement benefit increases as well as the amortization method (level dollar or level percentage of projected payroll) and the amortization period (equivalent single amortization period, for plans that use multiple periods) for the most recent actuarial valuation and whether the period is closed or open?¹⁶

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³²

8. Does the employer present as required supplementary information the following for the most recent actuarial valuation and the two preceding valuations, unless the aggregate actuarial cost method was used:¹⁷

| a. The actuarial valuation date, the actuarial value of plan assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll, and the ratio of the unfunded actuarial liability (or funding excess) to annual covered payroll? |
|------------------|-------------------|----------------|
| Yes | No | N/A |
| b. Factors that significantly affect the identification of trends in the amount reported, including, for example, changes in benefit provisions, the size or composition of the population covered by the plan, or the actuarial methods and assumptions used? |
|------------------|-------------------|----------------|
| Yes | No | N/A |

Cost-Sharing Defined Benefit Pension Plans

9. Is the employer's annual pension expenditures/expense equal to its contractually required contributions to the plan, with the amount recognized on the modified accrual or accrual basis (whichever applies for the type of employer or for the fund type(s) used to report the employer's contributions) and pension liabilities and assets reported for the difference between contributions required and contributions made to each plan?

|------------------|-------------------|----------------|

¹⁵ For the first two years, the required information should be presented for the transition year, and for the current and transition year, respectively.

¹⁶ If the aggregate actuarial cost method is used, the employer should disclose that the method does not identify or separately amortize unfunded actuarial liabilities.

¹⁷ Until three actuarial valuations have been performed in accordance with the parameters, the required information should be presented for as many years as it is available. [GASB 27, par. 22 (GASB Cod. Sec. P20.117 and .118)]
10. Is the following information included in the notes to the financial statements for each plan:
   a. Disclosures provided in Steps 7.a, 7.b.(1), and 7.b.(2), above?  
   b. The required contributions in dollars and the percentage of that amount contributed for the current year and each of the two preceding years?  
   [GASB 27, par. 20 (GASB Cod. Sec. P20.117)]

**Insured Defined Benefit Pension Plans**

11. Does the employer disclose the following:
   a. A brief description of the insured plan, including the benefit provisions and the authority under which benefit provisions are established or may be amended?  
   b. The fact that the obligation for the payment of benefits has been effectively transferred from the employer to one or more insurance companies and whether the employer has guaranteed benefits in the event of the insurance company’s insolvency?  
   c. The current-year pension expenditures/expense and contributions or premiums paid?  
   [GASB 27, par. 23 (GASB Cod. Sec. P20.120)]

**Defined Contribution Pension Plans**

12. Is the employer’s annual pension expenditures/expense equal to its required contributions to the plan, in accordance to the terms of the plan, with the amount recognized on the modified accrual or accrual basis (whichever applies for the type of employer or for the fund type(s) used to report the employer’s contributions) and pension liabilities and assets reported for the difference between contributions required and contributions made to each plan?  
   [GASB 27, par. 25 (GASB Cod. Sec. P20.121)]

13. Is the following information disclosed for each defined contribution plan to which the employer is required to contribute:
   a. Name of the plan?  
   b. Identification of the public employee retirement system or other entity that administers the plan?  
   c. Identification of the plan as a defined contribution plan?  
   d. Brief description of the plan provisions and the authority under which they are established or may be amended?  
   e. Contribution requirements of the plan members, employer, and other contributing entities and the authority under which the requirements are established or may be amended?  
   f. The contributions actually made by plan members and the employer?  
   [GASB 27, par. 26 (GASB Cod. Sec. P20.123)]

**Pension Liabilities (Assets) at Transition for Defined Benefit Pension Plans**

14. Has the employer measured its pension liabilities (assets) at transition and made the transition disclosures as required by GASB 27, paragraphs 30–37?  
   [GASB 27, pars. 30–37 (GASB Cod. Sec. P20.126–133)]

33
U. Postemployment Benefits Other Than Pensions

1. If the employer advance-funds postemployment healthcare benefits on an actuarially determined basis through a defined benefit pension plan, and has elected to apply the measurement and recognition requirements of GASB 27 to those postemployment healthcare benefits, has it complied with the following requirements:
   a. Provide the notes to financial statements required by GASB 27 instead of the note disclosures required by GASB 12?  
   b. Disclose the healthcare inflation assumption?  
   c. Disclose all information provided on postemployment healthcare benefits separately from information on pension benefits?  
   d. Calculate the information disclosed about the funded status and funding progress of postemployment healthcare benefits in a manner consistent with the requirements of GASB Cod. Sec. P20 for the calculation of the funded status and the funding progress of pension benefits?  
   \[\text{[GASB 12, par. 11; GASB 27, par. 24 (GASB Cod. Sec. P50.106)]}\]

2. Except as addressed in Step 1, does an employer that provides other postemployment benefits (OPEB) disclose, at 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 (such as 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 (such as 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 or if the employer sets aside assets for future OPEB payments but does not advance-fund OPEB on an actuarially determined basis:
         (a) The amount of OPEB expenditures/expenses recognized during the period by the employer (net of participant contributions)?
(b) The number of participants currently eligible to receive benefits?  

(c) 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?  

(d) If a reasonable approximation cannot be made, disclosure that expenditures/expenses cannot be reasonably estimated?  

(e) Any net assets set aside for future benefit payments?  

(2) If OPEB are advance-funded on an actuarially determined basis:  

(a) The number of active plan participants?  

(b) The employer's actuarially required and actual contributions for the period (net of participant contributions)?  

(c) The amount of net assets available for OPEB?  

(d) 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 in this step with those for the previous period (such as a change in benefit provisions)?  

(g) Any additional information that the employer believes will help users assess the nature and magnitude of the cost of the employer's commitment to provide OPEB?  

[Gasb 12, par. 10 and fn. 4 (Gasb Cod. Sec. P50.105 and fn. 4)]  

3. Does a proprietary activity that elects to apply all FASB Statements and Interpretations issued after November 30, 1989, in accordance with GASB 20, paragraph 7, make the additional disclosures required by SFAS 106 and SFAS 132?  

[GASB 20, par. 7 (GASB Cod. Sec. P80.105); SFAS 106, pars. 74, 77, 78, 82, 83, 106, and 107 (AC P40.169, .172, .173, .178, .179, .198, and .199); SFAS 132, pars. 5–11]  

V. Deferred Compensation Plans (See Appendix A)  

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

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

2. Concerning investments:  

a. Are plan assets valued at fair value, except as provided for in GASB Cod. Sec. I50.106, .107, and .110?  

b. Are the disclosures required by GASB Cod. Sec. I50.119 made?  

[Gasb 2, par. 11; Gasb 31, pars. 4 and 7 (Gasb Cod. Secs. D25.111 and I50.103)]  

18 FASB 132 is effective for financial statements for fiscal years beginning after December 15, 1997. Earlier application is encouraged.  

[Gasb 132, par. 15]
3. 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?  ____  ____  ____
   b. The governmental unit’s fiduciary responsibility, including uses of plan assets for purposes other than paying benefits?  ____  ____  ____
   c. If the plan is a multiple-jurisdiction plan, the portion of the assets in the fund to which the administering governmental entity has legal access, as distinguished from the assets held for other participating governmental employees?  ____  ____  ____
   [GASB 2, par. 13 (GASB Cod. Sec. D25.113)]

W. Risk Financing and Related Financing Issues—Public Entity Risk Pools19

1. Is the public entity risk pools accounted for in an enterprise fund regardless of whether there is a transfer or pooling (sharing) of risk?  ____  ____  ____
   [GASB 10, par. 18 (GASB Cod. Sec. Po20.114)]

2. If a portion of premiums is specifically identified as being collected for future catastrophe losses, is that amount separately identified as a reservation of pool equity if it is contractually restricted for that specific future use or if it is legally restricted for that specific use by an organization or individual outside the entity?  ____  ____  ____
   [GASB 10, par. 21 (GASB Cod. Sec. Po20.117)]

3. Are claims liabilities associated with structured settlements discounted if they represent contractual obligations to pay specific amounts on fixed or determinable dates?  ____  ____  ____
   [GASB 10, par. 24 (GASB Cod. Sec. Po20.120)]

4. For annuity contract purchased in the claimant’s name to satisfy a claim liability and for which the likelihood that the pool will be required to make future payments on the claim is remote, is the annuity contract not reported in, and the related liability removed from, the pool’s balance sheet?  ____  ____  ____
   [GASB 10, par. 26 (GASB Cod. Sec. Po20.122)]

5. 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 occur?  ____  ____  ____
   [GASB 10, par. 27 (GASB Cod. Sec. Po20.123)]

6. 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. 27 (GASB Cod. Sec. Po20.123)]

7. 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 disclosure of the possible claim made?  ____  ____  ____
   [GASB 10, par. 27 (GASB Cod. Sec. Po20.123)]

19 If a public entity risk pool does not involve any transfer or pooling of risk among pool participants but is acting only as a claims servicer rather than as an insurer, the requirements shown in this section do not apply. Instead, the operating statement of this type of pool should report claims-servicing revenue and administrative costs and amounts collected or due from pool participants, including capitalization contributions, and paid or to be paid to settle claims should be netted and reported as an asset or a liability on an accrual basis, as appropriate. [GASB 10, par. 51, GASBI 4, par. 13 (GASB Cod. Sec. P20.148)]
8. Are unamortized acquisition costs classified as an asset?  
[GASB 10, par. 29 (GASB Cod. Sec. Po20.125)]  
Yes  No  N/A

9. Are policyholder dividends that are used to reduce premiums reported as dividend expense and premium income?  
[GASB 10, par. 32 (GASB Cod. Sec. Po20.128)]  
Yes  No  N/A

10. If experience refund arrangements exist under experience-rated contracts, is a separate liability accrued for those amounts?  
[GASB 10, par. 33 (GASB Cod. Sec. Po20.129)]  
Yes  No  N/A

11. Are premium deficiencies in excess of unamortized acquisition costs reported as a premium deficiency liability and as a premium deficiency expense?  
[GASB 30, par. 5 (GASB Cod. Sec. Po20.132)]  
Yes  No  N/A

12. Are premium deficiencies resulting from risk-sharing pool participation contracts reported as revenue and assessments receivable?  
[GASB 30, par. 5 (GASB Cod. Sec. Po20.132)]  
Yes  No  N/A

13. Are amounts that are recoverable from reinsurers or excess insurers and that relate to paid claims and claim adjustment expenses classified as assets (with an allowance for estimated uncollectible amounts) and as reductions of expenses?  
[GASB 10, par. 37 (GASB Cod. Sec. Po20.133)]  
Yes  No  N/A

14. Are estimated amounts recoverable from reinsurers that relate to the liabilities for unpaid claims and claim adjustment expenses deducted from those liabilities rather than reported as assets?  
[GASB 10, par. 37 (GASB Cod. Sec. Po20.133)]  
Yes  No  N/A

15. Are unearned premiums on contracts ceded to a reinsurer by a pool netted with related premiums paid to but not yet earned by the reinsurer?  
[GASB 10, par. 37 (GASB Cod. Sec. Po20.133)]  
Yes  No  N/A

16. Are receivables and payables from the same reinsurer, including amounts withheld, netted?  
[GASB 10, par. 37 (GASB Cod. Sec. Po20.133)]  
Yes  No  N/A

17. To the extent that a reinsurance or excess insurance contract does not, despite its form, provide for indemnification of the pool by the reinsurer against loss or liability, is the premium paid less the premium to be retained by the reinsurer accounted for as a deposit by the pool, with a net credit resulting from the contract reported as a liability by the pool?  
[GASB 10, par. 39 (GASB Cod. Sec. Po20.135)]  
Yes  No  N/A

18. Does the pool report capitalization contributions to another public entity risk pool as provided in GASB Cod. Sec. C50.130–132? (See the following section on Risk Financing and Related Financing Issues—Entities Other Than Risk Pools)  
[GASBI 4, par. 10 (GASB Cod. Sec. Po20.136)]  
Yes  No  N/A

19. Are capitalization contributions received reported as a liability or as unearned premiums, depending on the probability that the contributions will be returned?  
[GASBI 4, pars. 11 and 12 (GASB Cod. Sec. Po20.137 and .138)]  
Yes  No  N/A
20. Is all investment income, including changes in the fair value of investments (except those that are accounted for as foreign currency or futures contract hedges), reported in the operating statement as a component of other income?  
[GASB 10, par. 10; GASB 31, par. 13 (GASB Cod. Sec. Po20.144)]

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a. If the public entity risk pool applies FASB Statements and Interpretations issued after November 30, 1989, has it applied the reporting provisions of SFAS 130 to foreign currency hedges?  
[SFAS 130, par. 17]

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21. If the public entity risk pool applies FASB Statements and Interpretations issued after November 30, 1989, and has guaranty-fund or other insurance-related assessments, does it make the disclosures required by SOP 97-3 concerning discounting?  
[SOP 97-3, par. 27 (TPA 10,710, par. 27)]

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22. 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?

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b. A brief description of the number and types of entities participating in the pool?

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c. The basis for estimating the liabilities for unpaid claims and claim adjustment expenses?

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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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e. The nature of acquisition costs capitalized, the method of amortizing those costs, and the amount of those costs amortized for the period?

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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?

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g. Whether the pool considers anticipated investment income in determining if a premium deficiency exists?

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h. The nature and significance of excess insurance or reinsurance transactions to the pool's operations, including the type of coverage, reinsurance premiums ceded, and estimated amounts that are recoverable from excess insurers and reinsurers and that reduce the liabilities as of the balance-sheet date for unpaid claims and claim adjustment expenses?

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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?

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(2) Incurred claims and claim adjustment expenses?

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

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(b) Increase (decrease) in the provision for insured events of prior fiscal years?

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(3) For payments:
   (a) Claims and claim adjustment expenses attributable to insured events of the current fiscal year?  
   (b) Claims and claim adjustment expenses attributable to insured events of prior fiscal years? 
(4) Other items and explanations of each material item? 
(5) 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?2 [GASB 10, par. 49, as amended by GASB 30, par. 6 (GASB Cod. Sec. Po20.146)]

23. Is the following required supplementary information provided:21
   a. A table that presents the following information:22
      (1) Amount of gross premium (or required contribution) revenue and reported investment revenue, amount of premium (or required contribution) revenue ceded, and amount of net reported premium (or required contribution) revenue (net of excess insurance or reinsurance) and reported investment revenue for each of the past ten fiscal years including the latest fiscal year?  
      (2) Amount of reported unallocated claim adjustment expenses and reported other costs for each of the past ten fiscal years including the latest fiscal year?  
      (3) Total gross amount of incurred claims and allocated claim adjustment expenses (both paid and accrued before the effect of loss assumed by excess insurers or reinsurers), loss assumed by excess insurers or reinsurers (both paid and accrued), and total net amount of incurred claims and allocated claim adjustment expenses (both paid and accrued)?  
      (4) The cumulative net amount paid as of the end of the accident year, report year, or policy year (as appropriate) and each succeeding year for each of the incurred claims and allocated expense amounts presented in (3) above?  
      (5) The reestimated amount for loss assumed by excess insurers or reinsurers as of the end of the current year for each of the accident years, report years, or policy years (as appropriate) presented in (3) above? 

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20 This disclosure should not include 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.
21 This required supplementary information should be presented immediately after the notes to financial statements in separate pool financial reports. Pools that are included as part of a combined general government reporting entity and that do not issue separate financial reports also should present the required supplementary information after the notes to the reporting entity's financial statements. However, if the reporting entity issues a comprehensive annual financial report, those pools may present the required supplementary information as statistical information. [GASB 30, par. 7 (GASB Cod. Sec. P20.147 and fn. 10)]
22 During the transition period when the ten years of information about claims liabilities and claim adjustment expenses may not be available, all information in the table should be presented only for as many years as that information is available. [GASB 30, par. 7 (GASB Cod. Sec. P20. 147)]
(6) The reestimated amount for net incurred claims and claim adjustment expenses as of the end of each succeeding year for each of the accident years, report years, or policy years (as appropriate) presented in (3) above?

[Yes] [No] [N/A]

(7) The change in net incurred claims and claim adjustment expenses from the original estimate, based on the difference between the latest reestimated amount presented in (6) above for each of the accident years, report years, or policy years (as appropriate) and the original net incurred claims and claim adjustment amounts reported in (3) above?

[Yes] [No] [N/A]

b. A reconciliation of claims liabilities by type of contract, including an analysis of changes in liabilities for claims and claim adjustment expenses for the current fiscal year and the prior year, in the same tabular format required by Step 22.i. above?

X. Risk Financing and Related Financing Issues—Entities Other Than Risk Pools

1. Are risk financing activities (claims and judgments) recognized as expenditures in governmental and similar trust funds using the modified accrual basis of accounting (that is, to the extent that the amounts are payable with expendable available financial resources) with any remaining accrued liabilities reported in the GLTDAG, with the total amount disclosed in the notes to financial statements or by parenthetical display on the operating statement?

[Yes] [No] [N/A]

2. If no accrual is made for a loss contingency, 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 occur?

[Yes] [No] [N/A]

3. 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?

[Yes] [No] [N/A]

4. 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 disclosure of the possible claim made?

[Yes] [No] [N/A]

5. If a single fund is used to account for an entity’s risk financing activities, is that fund either the general fund or an internal service fund?

[Yes] [No] [N/A]

6. Are claims liabilities reduced by amounts expected to be recovered through excess insurance?

[Yes] [No] [N/A]

7. If the entity uses the general fund to account for its risk financing activities, allocates loss expenditures/expenses to the other funds of
the entity, and the total amounts charged to the other funds (including the general fund itself) exceeds total expenditures and liabilities determined in accordance with Cod. Sec. C50.110–.114, are the excess amounts reported as operating transfers?

[GASB 10, par. 64 (GASB Cod. Sec. C50.121)]

8. If the entity uses an internal service fund to account for its risk financing activities:

a. Are charges made by the internal service fund to the other funds calculated in accordance with the provisions of GASB Cod. Sec. C50.123 recognized as revenue by the internal service fund and as expenditures/expenses by the other funds of the entity?

b. Is the excess of charges greater than the amount resulting from the application of GASB Cod. Sec. C50.123 reported in both the internal service fund and the other funds as an operating transfer?

c. If the charges by the internal service fund to the other funds fails to recover the full cost of claims over a reasonable period of time, is any deficit fund balance in the internal service fund charged back to the other funds and reported as an expenditure/expense of those funds?

d. Is a deficit fund balance of the internal service fund disclosed in the notes to financial statements?

e. Are retained earnings in the internal service fund resulting from a charge by the internal service fund to the other funds for a reasonable provision for expected future catastrophe losses reported as equity designated for future catastrophe losses in the notes to the financial statements?

[GASB 10, pars. 67 and 68 (GASB Cod. Sec. C50.124 and .125)]

9. For governmental colleges and universities that use the AICPA College Guide model, if a single fund is used to account for risk financing activities, is that fund reported as an unrestricted current fund?

a. If the total amount charged to other funds (including charges to unrestricted current funds) exceeds claims expenditures determined in accordance with Cod. Sec. C50.110–.114, are the excess amounts reported as nonmandatory transfers?

[GASB 10, par. 64, GASB 19, par. 4 (GASB Cod. Sec. C50.127)]

10. If a governmental entity participates 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?

a. If the pooling agreement permits the pool to make additional assessments to its members, does the entity consider the likelihood of additional assessments and report an additional expenditure/expense and liability if an assessment is probable and can be reasonably estimated?

b. Does the entity disclose assessment amounts that are probable but not reasonably estimable as well as those that are reasonably possible?

[GASB 10, par. 69 (GASB Cod. Sec. C50.128)]
c. If the pooling agreement does not provide for additional member assessments and it is probable that the entity will be required to pay its own obligations if the pool fails, are the amount of those obligations reported as an expenditure/expense and as a liability if they can be reasonably estimated?  
[GASB 10, par. 70 (GASB Cod. Sec. C50.129)]

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d. Are capitalization contributions reported as a deposit if it is probable that the contribution will be returned to the entity upon either the dissolution of or the approved withdrawal from the pool?  

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e. In governmental funds, is fund balance reserved to indicate that the deposit is not appropriable for expenditure?  
[GASBI 4, par. 4 (GASB Cod. Sec. C50.130)]

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f. If it is not probable that a capitalization contribution will be returned:

1. In proprietary funds and in the unrestricted current funds of colleges and universities that apply the AICPA College Guide model, is the contribution reported initially as prepaid insurance (an asset), with expenses should be allocated and recognized over the periods for which the pool is expected to provide coverage?  
[GASBI 4, pars. 6 and 8 (GASB Cod. Sec. C50.132 and .134)]

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2. In governmental funds, is the entire amount of the capitalization contribution recognized as an expenditure in the period of the contribution, or is the contribution reported initially as prepaid insurance (an asset), with expenditures allocated and recognized over the periods for which the pool is expected to provide coverage and fund balance reserved to indicate that the amount is not appropriable for expenditure?  
[GASBI 4, par. 7 (GASB Cod. Sec. C50.133)]

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11. If a capitalization contribution to a public entity risk pool without transfer or pooling of risk reported as a deposit or a reduction of claims liabilities?  
[GASBI 4, par. 9 (GASB Cod. Sec. C50.135)]

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12. If the entity is insured under a retrospectively rated insurance policy, does it disclose (a) that fact and (b) that premiums are accrued based on the ultimate cost of the experience to date of a group of entities?  
[GASB 10, par. 74 (GASB Cod. Sec. C50.138)]

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13. If an entity receives or is entitled to receive a policyholder dividend or return of contribution related to its insurance or pool participation contract, is that dividend recognized as a reduction of expenditures/expenses at the time the dividend is declared?  
[GASB 10, par. 75 (GASB Cod. Sec. C50.139)]

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14. Are the following disclosed, including for component units that participate in their primary government's risk management internal service fund:

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 (for example, 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?

Yes  No  N/A

15. If an entity retains the risk of loss, does it disclose:

a. The basis for estimating the liabilities for unpaid claims, including the effects of specific, incremental claim adjustment expenditures/expenses salvage, and subrogation, and whether other allocated or unallocated claim adjustment expenditures/expenses are included?

Yes  No  N/A

b. 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?

Yes  No  N/A

c. 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)?

Yes  No  N/A

d. 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:

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

Yes  No  N/A

(2) 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?

Yes  No  N/A

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

Yes  No  N/A

(4) Other items and explanations of each material item?

Yes  No  N/A

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

Yes  No  N/A

[Y. Municipal Solid Waste Landfill Closure and Postclosure Care Costs]

1. For municipal solid waste landfill closure and postclosure care costs reported using governmental fund and account group accounting and reporting, is the total cost determined for the year in accordance with GASB Cod. Sec. L10.106 disclosed in the notes to financial statements or through parenthetical display on the operating statement?

Yes  No  N/A

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2. Do the notes to the financial statements disclose:
   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 regulation?  
   [GASB 18, par. 17 (GASB Cod. Sec. L10.116)]

Z. External Investments Pools

1. Unless the pool is a 2a7-like pool, does it report all investments at fair value (a) except for nonparticipating interest-earning investment contracts (see GASB Cod. Sec. I50.106) and (b) unless it has elected to report short-term debt investments with remaining maturities of up to ninety days at the date of the financial statements at amortized cost?  
   [GASB 31, par. 16 (GASB Cod. Sec. In5.102)]

2. If the pool has elected to report short-term debt investments with remaining maturities of up to ninety days at the date of the financial statements at amortized cost:
   a. Is the cost-based value of those investments adjusted if they are significantly affected by the impairment of the credit standing of the issuer or by other factors?  
   b. Is the investment's fair value on the day it becomes a short-term investment the basis for purposes of applying amortized cost?  
   [GASB 31, par. 16 (GASB Cod. Sec. In5.102)]

3. If a separate or stand-alone annual financial reports for the pool is presented:
   a. Do they include a statement of net assets and a statement of changes in net assets prepared on the economic resources measurement focus and the accrual basis of accounting (a statement of cash flows is not required to be presented)?  
   b. Are all applicable GASB pronouncements applied in the report?  
   [GASB 31, par. 17 (GASB Cod. Sec. In5.103)]

4. If a separate or stand-alone annual financial report for the pool is presented, does the report disclose:
   a. The methods and significant assumptions used to estimate the fair value of investments, if that fair value is based on other than quoted market prices?
b. The policy for determining which investments, if any, are reported at amortized cost?

 Yes  No  N/A

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c. For any investments in external investment pools that are not SEC-registered, a brief description of any regulatory oversight for the pool and whether the fair value of the position in the pool is the same as the value of the pool shares?

---

d. Any involuntary participation in an external investment pool?

---

e. If the entity cannot obtain information from a pool sponsor to allow it to determine the fair value of its investment in the pool, the methods used and significant assumptions made in determining that fair value and the reasons for having had to make such an estimate?

---

f. Any income from investments associated with one fund that is assigned to another fund?

---

g. A brief description of any regulatory oversight (including whether the pool is registered with the SEC as an investment company)?

---

h. The frequency of determining the fair value of investments?

---

i. The method used to determine participants shares sold and redeemed and whether that method differs from the method used to report investments?

---

j. Whether the pool sponsor has provided or obtained any legally binding guarantees during the period to support the value of shares?

---

k. The extent of involuntary participation in the pool, if any?

---

l. A summary of the fair value, the carrying amount (if different from fair value), the number of shares or the principal amount, ranges of interest rates, and maturity dates of each major investment classification?

---

m. If the financial report distinguishes among different components of investment income (for example, interest, dividend, and other income versus the net increase or decrease in the fair value of investments), the accounting policy for defining each of the components it reports?

[GASB 31, pars. 15 and 17 (GASB Cod. Secs. 15.0.119 and 15.0.103)]

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5. Does the pool report all investment income, including change in the fair value of investments, as revenue in the statement of changes in net assets?

[GASB 31, par. 13 (GASB Cod. Sec. 15.0.111)]]

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6. For investments reported at fair value, is interest income reported at the stated interest rate, without any premiums or discounts amortized?

[GASB 31, fn. 7 (GASB Cod. Sec. 15.0.111)]]

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7. If identified separately as an element of investment income, is the change in the fair value of investments captioned "net increase (decrease) in the fair value of investments"?

[GASB 31, par. 13 (GASB Cod. Sec. 15.0.111)]]

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8. If the pool elects to report realized gains and losses for investments reported at fair value in the statement of net assets or the notes to financial statements:

a. Does it measure the amount as the difference between the proceeds of the sale and the original cost of the investments sold?

---

b. Does it disclose (1) that the calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments and (2) that realized gains and losses on investments that had been held in more than one fiscal year and sold in

---
the current year were included as a change in the fair value of investments reported in the prior year(s) and the current year?  
[GASB 31, par. 15 (GASB Cod. Sec. I50.119)]

9. If external investment pools are sponsored by the entity:
   a. Is the external portion of each pool reported as a separate investment trust fund (a fiduciary fund)?
   b. Are transactions and balances reported using the economic resources measurement focus and the accrual basis of accounting?
   c. Are the internal portions of each external investment pool reported as provided in Cod. Sec. I50.112 for the equity in internal investment pools?
   d. Is a statement of net assets and a statement of changes in net assets presented for each pool?
   e. Is the difference between the external pool assets and liabilities captioned “net assets held in trust for pool participants”?
   f. In the combined financial statements, are investment trust funds presented in the balance sheet with trust and agency funds?
   g. In the combined financial statements, is a separate statement of changes in net assets presented for the combined investment trust funds (although that statement may be presented with similar trust funds, such as pension trust funds)?  
   [GASB 31, par. 18 (GASB Cod. Sec. I50.116)]

10. If an external investment pool issues a separate report, does the annual financial report of the sponsoring government describe in the notes to the financial statements how to obtain that report?  
   [GASB 31, par. 19 (GASB Cod. Sec. I50.117)]

11. If an external investment pool does not issue a separate report, does the annual financial report of the sponsoring government include the following in the notes to the financial statements for each pool:
   a. The additional disclosures required in GASB Cod. Sec. In5.103?
   b. The disclosures required by Cod. Secs. C20, I50, and I60 as well as other cash and investment standards?
   c. Condensed statements of net assets and changes in net assets (if a pool includes both internal and external investors, those condensed financial statements should include, in total, the net assets held in trust for all pool participants, and the equity of participants should distinguish between internal and external portions)?  
   [GASB 31, par. 19 (GASB Cod. Sec. I50.117)]

AA. Financial Instruments

1. If the entity applies the provisions of FASB Statements and Interpretations issued after November 30, 1989, does it make the disclosures about financial instruments required by SFAS 105 and SFAS 107?  
   [SFAS 105, pars. 17–20 (AC F25.112–.115); SFAS 107, pars. 10–14 (AC F25.115C–.115F and .115)]
2. If the entity applies the provisions of FASB Statements and Interpretations issued after November 30, 1989, does it apply the financial reporting and disclosure requirements of SFAS 125 to transfer of financial assets transactions other than reverse repurchase agreements, securities lending transactions, and debt extinguishments? [SFAS 125, pars. 9-12, 14, 15, and 17 (AC F38.103-.109)]

II. Combined Balance Sheet—All Fund Types, Account Groups, and Discretely Presented Component Units

A. Content

1. Is a combined balance sheet presented for all fund types, account groups, and discretely presented component units? [NCGA 1, par. 139 (GASB Cod. Sec. 2200.108)]

2. Does the combined balance sheet have separate columns for each fund type and account group? [NCGA 1, par. 145 (GASB Cod. Sec. 2200.111)]

3. Do the financial statements report only one general fund? [NCGAI 9, par. 10 (GASB Cod. Sec. 1300.106)]

B. Cash and Investments, Including Reverse Repurchase Agreements and Securities Lending Transactions

1. Are cash and investments segregated into individual funds? [AAG-SLG, par. 7.14]

2. Are restrictions on cash and investments disclosed? [SFAS 5, pars. 18 and 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. 7.07]

   b. If a pooled cash account for a governmental entity is overdrawn in total, is the balance classified as a fund liability? [AAG-SLG, par. 7.07]

4. For deposits with financial institutions and investments (including repurchase agreements), do disclosures include:
   a. The types of investments authorized by legal or contractual provisions? [GASB 3, par. 65 (GASB Cod. Sec. I50.122)]

   b. The difference in authorized investment types, 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. I50.122)]
c. Significant violations during the period of legal or contractual provisions for deposits and investments?  

[GAAS 3, par. 66 (GAAS Cod. Sec. 150.123)]

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d. If so, a statement that 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?  

[GAAS 3, par. 67 (GAAS Cod. Sec. 150.124)]

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e. For bank balances of deposits as of the balance-sheet date that are not entirely insured or collateralized with securities held by the entity:

(1) Reported amount of total deposits if not separately displayed on the balance sheet?

(2) The total bank balance classified in these three categories of credit risk:23

(a) Insured or collateralized with securities held by the entity or by its agent in the entity’s name?

(b) Collateralized with securities held by the pledging financial institution’s trust department or agent in the entity’s name?

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

[GAAS 3, par. 67, as amended by GAAS 31 (GAAS Cod. Sec. 150.124)]

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f. The reported amount and fair value of investments (including repurchase agreements) as of the balance-sheet date in total and for each type of investment?  

[GAAS 3, par. 68, as amended by GAAS 31, par. 6 (GAAS Cod. Sec. 150.125)]

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g. The reported amount of each type of investment disclosed in the following three categories of credit risk except as discussed in Step h below:24

(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?  

[GAAS 3, par. 68, as amended by GAAS 31, par. 6 (GAAS Cod. Sec. 150.125)]

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23 If the credit risk to the primary government is not apparent because (a) the deposit or investment balances of blended component units, pension trust funds, investment trust funds, or other funds of the primary government are significant and (b) the mix of credit risk categories for those units or funds is significantly different from that of other funds or blended component units of the primary government, additional or separate disclosures concerning credit risk categories should be made for those units or funds. [GAAS 3, par. 70, as amended by GAAS 14; GAAS 31, par. 18 (GAAS Cod. Sec. 150.127)]

24 See footnote 20.
h. Are the categories in Step g above not applied to all types of investments, such as (1) investments in external investment pools and in open-end mutual funds and (2) securities underlying reverse repurchase agreements? [GASB 3, par. 69 (GASB Cod. Sec. I50.126)]

i. If unrealized investment losses on investments reported using cost-based measures in one or more component units or funds are not apparent because of such unrealized investment gains in the remaining funds, the reported amounts and fair value of that unit’s or fund’s total investments? [GASB 3, par. 71, as amended by GASB 14 and GASB 31, par. 6 (GASB Cod. Sec. I50.128)]

j. If there are outstanding commitments as of the balance-sheet date to resell securities under yield maintenance repurchase agreements, the fair value and reported amount as of the balance-sheet date, as well as a description of the terms of the agreement? [GASB 3, par. 72, as amended by GASB 31, par. 6 (GASB Cod. Sec. I50.129)]

k. 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, that fact and the causes? [GASB 3, par. 73 (GASB Cod. Sec. I50.130)]

l. The types of investments made during the period but not owned as of the balance-sheet date? [GASB 3, par. 74 (GASB Cod. Sec. I50.131)]

m. 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. I50.132)]

5. Do disclosures applicable to the equity method of accounting for investments in common stock include:

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, par. 19c and d (AC I82.109c and d)]
6. In connection with reverse repurchase agreements:

   a. Are the assets and liabilities arising from reverse repurchase and fixed coupon reverse repurchase agreements not netted on the balance sheet, with the agreements reported as a fund liability captioned “Obligations under reverse repurchase agreements,” and the underlying securities reported as “Investments”? [GASB 3, par. 81 (GASB Cod. Sec. I55.114)]

   b. If the entity pools moneys from several funds for investment purposes, and the pool, rather than the individual funds, has reverse repurchase agreements, has the entity reported the assets and liabilities in the balance sheets of the funds that have the risk of loss on those assets? [GASBI 3, par. 3 (GASB Cod. Sec. I55.116)]

   c. Are the following disclosures made:

      (1) If reverse repurchase agreements were used during the period, the source of legal or contractual authorization for the use of those agreements? [GASB 3, par. 76 (GASB Cod. Sec. I55.108)]

      (2) Significant violations during the period of legal or contractual provisions for reverse repurchase agreements? [GASB 3, par. 77 (GASB Cod. Sec. I55.109)]

      (3) For reverse repurchase agreements other than yield maintenance agreements that are outstanding as of the balance-sheet date, credit risk related to the agreements? [GASB 3, par. 78, as amended by GASB 31, par. 6 (GASB Cod. Sec. I55.110)]

      (4) Commitments as of the balance-sheet date to repurchase securities under yield maintenance agreements, including the fair 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, as amended by GASB 31, par. 6 (GASB Cod. Sec. I55.111)]

      (5) 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. I55.112)]

      (6) Whether the maturities of the investments made with the proceeds of reverse repurchase and fixed-coupon reverse repurchase agreements generally are matched to the maturities of the agreements, as well as the extent of such matching at the balance sheet date? [GASBI 3, par. 6 (GASB Cod. Sec. I55.113)]

7. In connection with securities lending transactions (SLTs):

   a. Are the following items reported in the balance sheet:

      (1) Securities lent? ________________________________

      (2) Cash received as collateral and investments made with that cash? ________________________________

      (3) Securities received as collateral if the entity has the ability to pledge or sell them without a borrower default? ________________________________
(4) Liabilities resulting from these transactions?  
[GA 28, pars. 5 and 6 (GA 28 Cod. Sec. 160.103 and .104)]

b. Are SLTs collateralized by letters of credit or by securities that the government does not have the ability to pledge or sell unless the borrower defaults not reported as assets or liabilities?  
[GA 28, par. 7 (GA 28 Cod. Sec. 160.105)]

c. If a government pools money from several funds for investment purposes and the pool, rather than the individual funds, has SLTs, are the assets and liabilities arising from the SLTs in the balance sheets of the funds that have the risk of loss on the collateral assets?  
[GA 28, par. 9 (GA 28 Cod. Sec. 160.107)]

d. Are the following disclosures made:

(1) The source of legal or contractual authorization for the use of SLTs?  

(2) Any significant violations of those provisions occurring during the reporting period?  

(3) A general description of the SLTs during the period including:
   (a) The types of securities loaned?  
   (b) The types of collateral received?  
   (c) Whether the government has the ability to pledge or sell collateral securities without a borrower default?  
   (d) The amount by which the value of the collateral provided is required to exceed the value of the underlying securities?  
   (e) Any restriction on the amount of the loans that can be made?  
   (f) Any loss indemnification provided to the entity by its securities lending agents?  
   (g) The reported amount and fair values (if different) of underlying securities?  

(4) Whether the maturities of the investments made with cash collateral generally match the maturities of their securities loans, as well as the extent of such matching?  

(5) The amount of credit risk related to the SLTs?  

(6) The amount of any losses on SLTs during the period resulting from the default of a borrower or lending agent and amounts recovered from prior-period losses, if not separately displayed in the operating statement?  

(7) Disclosures required by GA 28 Cod. Sec. 150 for securities lending collateral that is reported in the balance sheet and for the underlying securities, including the reported amounts and fair values of these investments by type of investment?  
[GA 28, pars. 11–16, as amended by GA 31, par. 6 (GA 28 Cod. Secs. 160.109–114)]
### 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?  
   b. Does the disclosure include the effective interest rate and face amount of the note?  
   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 (except for current amounts due from and due to the same funds)?  
   [NCGA 1, par. 22 and fn. 5 (GASB Cod. Sec. 1300.110)]

4. Are the amounts of interfund receivables and payables disclosed by fund?  
   [AAG-SLG, par. 8.26]

5. Are property taxes, net of estimated uncollectibles, recorded when levied?  
   [NCGA 1, par. 64 (GASB Cod. Sec. P70.106')]

6. Are allowances for uncollectible receivables presented in the “Assets” section of the balance sheet, disclosed parenthetically in the balance sheet, or disclosed in the notes to the financial statements?  
   [NCGA 1, App. A, Ex. 1 Explanations (GASB Cod. Sec. 2200.903)]

7. Are long-term loans receivable reported in governmental funds offset by a fund balance reserve?  
   [NCGA 1, par. 118 (GASB Cod. Sec. 1800.123')]  

### D. Inventories

1. Are significant amounts of inventory reported on the balance sheet?  
   [NCGA 1, par. 73 (GASB Cod. Sec. 1600.124)]

2. For inventories reported in governmental funds, is a fund balance reservation reported to indicate the portion of fund balance represented by inventories that is not available for appropriation and expenditure at a balance sheet date?  
   [NCGA 1, par. 118 and App. A, Ex. 1 Explanations (GASB Cod. Secs. 1800.123' and 2200.903')]

3. 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)]  

* The guidance in this reference will be superseded, amended, or renumbered as a result of GASB 33, Accounting and Financial Reporting for Nonexchange Transactions, which is effective for financial statements for periods beginning after June 15, 2000, with earlier application encouraged. If applying GASB 33 prior to its effective date, also answer the questions in Appendix B, GASB 33—Accounting and Financial Reporting for Nonexchange Transactions.
E. Fixed Assets

1. Are general fixed assets, other than those accounted for in the proprietary or trust funds, accounted for in the General Fixed Assets Account Group (GFAAG) rather than in the governmental funds?  
   [NCGA 1, par. 38 (GASB Cod. Sec. 1400.106)]

2. Are fixed assets that are reported in the GFAAG offset by “other credit” accounts showing the sources by which such assets were financed?  
   [NCGA 1, par. 41 (GASB Cod. Sec. 1400.110)]

3. Do donated fixed assets include not only those purchased or constructed, but also those donated to the entity, measured at the fair value of the asset on the date donated?  
   [NCGA 1, par. 50 (GASB Cod. Sec. 1400.113*)]

4. Are purchased fixed assets stated at estimated or actual historical cost?  
   [NCGA 1, pars. 48 and 49 (GASB Cod. Sec. 1400.111 and .112)]

5. 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)]

6. 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)]

7. 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 valuing assets in the GFAAG (such as cost or estimated cost)?  
   c. Whether infrastructure assets are included or excluded from the GFAAG?  
   d. Whether accumulated depreciation is reported in the GFAAG and, if so, the depreciable lives and methods of depreciation?  
   e. A reconciliation of changes in the GFAAG during the year?  
   f. Capitalization of interest, if any, during construction?  
   g. Commitments under long-term construction projects?  
   h. Pertinent data regarding capital and operating leases?  
      [AAG-SLG, pars. 10.20 and 10.21]

8. For assets capitalized in the proprietary and trust funds, are the following disclosures made in the financial statements or the notes:
   a. Balance of major classes of depreciable assets, by nature or function at the balance-sheet date?

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b. Accumulated depreciation, either by major classes of depreciable assets or in total at the balance-sheet date?  
[APB 12, par. 5 (AC D40.105)]

F. Lessors

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

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. 23 (AC L10.119b); NCGA 5, par. 27 (GASB Cod. Sec. L20.129)]

3. For all leases, do disclosures include a general description of the lessor’s leasing arrangements?  
   [SFAS 13, par. 23 (AC L10.119c); NCGA 5, par. 27 (GASB Cod. Sec. L20.129)]

4. Are leveraged leases disclosed as provided for in SFAS 13, paragraph 47?  
   [SFAS 13, par. 47 (AC L10.149); NCGA 5, par. 27 (GASB Cod. Sec. L20.129)]

5. For operating leases with scheduled rent increases in governmental and similar trust funds are accrued receivables reported in the funds and offset by deferred revenue for the portion not yet recognized as revenue?  
   [GASB 13, par. 9 (GASB Cod. Sec. L20.112)]

G. Intangible Assets

1. Is the method and period of amortization for intangible assets disclosed?  
   [APB 17, par. 30 (AC I60.111); APB 22, par. 13 (AC A10.106)]

Disclosures required by SFAS 13 are required when leasing, exclusive of leveraged leasing, is a significant part of the lessor’s business activities in terms of revenue, net income, or assets. They may be provided either in the financial statements or the notes. [FASB 13, par. 23 (AC L10.119); NCGA 5, par. 27 (GASB Cod. Sec. L20.129)]
H. Liabilities

1. Do governmental fund balance sheets generally reflect only the current portion of the liabilities claims, judgments, and compensated absences left unpaid at the end of the reporting period that normally would be liquidated with expendable available financial resources, with the remainder of the liability reported in the General Long-term debt Account Group (GLTDAG)?

   [NCGA 4, pars. 16 and 17; GASB 16, par. 13; GASB 17, par. 6 (GASB Cod. Sec. 1600.119)]

   Yes  No  N/A

2. Are bonds, notes, and other long-term liabilities (such as for capital leases, pensions, claims and judgments, compensated absences, special termination benefits, landfill closure and postclosure care and similar commitments) directly related to and expected to be paid from proprietary funds and (certain) trust funds included in the accounts of such funds?

   [NCGA 1, par. 42, as amended by NCGA 4, par. 14; NCGA 6, par. 46; NCGAI 9, par. 12; GASB 6, paras. 13 and 23; GASBI 1, par. 13; GASB 13, par. 7; GASB 10, par. 53; GASB 16, par. 6; GASB 18, par. 7; GASB 27, par. 17; NCGAI 8, par. 12 (GASB Cod. Sec. 1500.102)]

   Yes  No  N/A

3. Do financial statements disclose the nature of any restrictions on assets related to outstanding indebtedness?

   [AAG-SLG, par. 11.31]

   Yes  No  N/A

4. Are the following disclosures made related to liabilities:

   a. The maturity, interest rates, and annual debt service requirements to maturity for the short-term and long-term issues of outstanding indebtedness?

   b. The issuance and payment of debt for the period?

   c. Details of capital leases?

   d. Amounts of authorized but unissued debt?

   e. The existence of any significant bond covenants and liquidity agreements?

   f. Violations of bond covenants?

   g. Nature and amount of contingent and moral obligations, no-commitment debt, and any actions by the government to extend an obligation to pay?

   h. The amount of unpaid debt that has been defeased?

   i. The refunding of debt, including the difference between the cash flows to service the old debt and the cash flows to service the new debt, and the economic gain or loss resulting from the transaction?

   j. Debt issued subsequent to the balance-sheet date but before the financial statements are issued?

   k. An existing or anticipated inability to pay debt when due?

   l. Information on derivatives and similar debt transactions as required by GASB Cod. Sec. 2300.601?

   m. Short-term debt instruments and liquidity?*

   Yes  No  N/A

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n. Changes in general long-term debt?
[NCGA 1, par. 158; NCGA I 6, par. 4, as amended; NCGA I 6, par. 5, as amended (GASB Cod. Sec. 2300.106 and .107); AAG-SLG, par. 11.31]

5. Does the entity disclose the pertinent rights and privileges of the various securities outstanding, for example, call prices and dates, conversion or exercise prices or rates and pertinent dates, and sinking-fund requirements?
[SFAS 129, par. 4 (AC C24.102)]

6. Are significant categories of liabilities classified and segregated (such as 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, App. A, Ex. 1 (GASB Cod. Sec. 2200.903)]

8. If fund liabilities for which the entity is contingently liable are in default—or where for other reasons it appears probable that they will not be paid on a timely basis from the resources of these funds and default is imminent—are the liabilities reported separately from other liabilities in the fund balance sheet?
[NCGA 1, par. 46, as amended by NCGAI 6 (GASB Cod. Sec. 1500.110)]

9. If the government is obligated in some manner for special assessment debt, do the notes to financial statements disclose:
   a. The information required in GASB Cod. Sec. 2300 as it applies to long-term debt?
   b. The nature of the government’s obligation, including an identification and description of any guarantee, reserve or sinking fund established to cover defaults by property owners?
   c. The amount of special assessment receivables that are delinquent, if not separately displayed on the face of the financial statements?
[GASB 6, par. 20 (GASB Cod. Sec. 540.120)]

10. If the government is not obligated in any manner for special assessment debt, do the notes disclose the amount of the debt and the fact that the government is in no way liable for repayment but is only acting as agent for the property owners in collecting the assessments, forwarding the collections to bondholders, and initiating foreclosure proceedings, if appropriate?
[GASB 6, par. 21 (GASB Cod. Sec. 540.121)]
11. Do current liabilities of proprietary funds 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?  
Yes No N/A  
[SFAS 6, pars. 8–14 (AC B05.112–.116); FASBI 8, pars. 2–4 (AC B05.117, .138, and .139); TB 79-3 (AC B05.501–.503)]

12. 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 GLTDAG?  
Yes No N/A  
[NCGAI 9, par. 12 (GASB Cod. Sec. B50.101)]

13. If a short-term obligation is excluded from current liabilities of proprietary funds or reported in the GLTDAG, 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  
[NCGAI 9, fn. 5 (GASB Cod. Sec. B50, fn. 2); SFAS 6, par. 15 (AC B05.118); FASBI 8, par. 3 (AC B05.117)]

14. 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)]

15. If the conditions in Step 14 above are not met, are the demand bonds reported as fund liabilities or, for proprietary funds, as current liabilities?  
Yes No N/A  
[GASBI 1, par. 10 (GASB Cod. Sec. D30.108)]

16. 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? 
[GASBI 1, par. 11 (GASB Cod. Sec. D30.109)]

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17. If a take out agreement is exercised converting demand 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 106i? 
[GASBI 1, par. 12 (GASB Cod. Sec. D30.110)]

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18. If the conditions of Step 14 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? 
[GASBI 1, par. 13 (GASB Cod. Sec. D30.111)]

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19. If, because a take out agreement expires, it is necessary to report a fund liability for demand bonds previously reported as general long-term debt, is the liability recorded as a liability of the fund in which the proceeds of the issue were initially recorded with a corresponding debit to “other financing uses”? 
[GASBI 1, par. 13 (GASB Cod. Sec. D30.111)]

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20. If the answer to Steps 18 or 19 above is “yes,” are debt redemptions reported as expenditures of the fund from which debt service is normally paid and the liability (represented by the demand bonds) reduced simultaneously by a credit to “other financing sources”? 
[GASBI 1, par. 13 (GASB Cod. Sec. D30.111)]

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21. 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?

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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)]

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22. Is debt considered to be extinguished for financial reporting purposes only if one of the following conditions is met?

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 canceled or held as so-called treasury bonds)?

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b. The debtor is legally released from being the primary obligor and it is probable that the debtor will not be required to make future payments with respect to that debt under any guarantee?

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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)]

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23. If debt is considered to be extinguished (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, as amended
by GASB 23, par. 3 and fn. 2 (GASB Cod. Sec. D20.101 and .103)]

24. In an advance refunding resulting in a defeasance of debt for govern­
mental fund types:

a. Are the proceeds of the new debt reported as an “other financing
source—proceeds of refunding bonds” in the fund receiving the
proceeds?

b. Are payments to the escrow agent from resources provided by the
new debt reported as an “other financing use—payment to re­
funded bond escrow agent”?

c. Are payments to the escrow agent made from other resources of
the entity reported as debt service expenditures?

[GASB 7, par. 8 (GASB Cod. Sec. D20.106)]

25. For a defeasance of debt through an advance refunding, are the
following disclosed:

a. A general description of the transaction?

b. The difference between the cash flows required to service the new
debt and complete the refunding?

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

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

26. 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)]

27. If an obligation as discussed in Step 26 above is classified as a long­
term liability, are the circumstances disclosed?

[SFAS 78, par. 5 (B05.118)]

28. For current refundings and advance refundings resulting in defea­
sance of debt reported by proprietary activities, 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 (GASB Cod. Sec. D20.109 and .916)]
29. For environmental remediation liabilities:
   a. Are assets relating to the obligation offset against the liability in
      the balance sheet only if the criteria for off-setting, as defined in
      FASB 39, paragraph 5, are met? [SOP 96-1, pars. 7.4 and 7.5]
   b. Do the financial statements disclose whether the liability accrual
      is measured on a discounted basis? [SOP 96-1, par. 7.11]
   c. Do the financial statements disclose the event, situation, or set of
      circumstances that generally triggers recognition of loss contingen­
      cies that arise out of the entity’s environmental remediation-
      related obligation and the policy for timing of recognition of
      recoveries? [SOP 96-1, par. 7.12]

I. Lessees

1. For capital leases, are the obligations separately identified in the
   balance sheet and subject to the same considerations as other obliga­
   tions in classifying them with current and noncurrent liabilities in
   classified balance sheets? [SFAS 13, par. 13 (AC L10.112a (5)); NCGA 5, par. 27 (GASB Cod. Sec.
   L20.129)]

2. For capital leases, do disclosures include:
   a. Gross amounts of assets and the accumulated amortization re­
      corded by major classes as of the date of each balance sheet
      presented? [SFAS 13, par. 13 (AC L10.112a (5)); NCGA 5, par. 27 (GASB Cod. Sec.
      L20.129)]
   b. Future minimum lease payments as of the latest balance sheet
      presented in the aggregate and for each of the five succeeding
      fiscal years, with separate deductions for executory costs and
      imputed interest? [SFAS 13, par. 13 (AC L10.112a (5)); NCGA 5, par. 27 (GASB Cod. Sec.
      L20.129)]
   c. Total of future minimum sublease rentals under noncancelable
      subleases as of the date of the latest balance sheet presented? [SFAS 13, par. 13 (AC L10.112a (5)); NCGA 5, par. 27 (GASB Cod. Sec.
      L20.129)]
   d. Total contingent rentals incurred for each period for which an
      operating statement is presented? [SFAS 13, par. 13 (AC L10.112a (5)); NCGA 5, par. 27 (GASB Cod. Sec.
      L20.129)]
   e. Assets recorded under capital leases and the accumulated amor­
      tization thereon, unless separately identified in the balance sheet? [SFAS 13, par. 13 (AC L10.112a (5)); NCGA 5, par. 27 (GASB Cod. Sec.
      L20.129)]
   f. The amortization charge on assets recorded under capital leases,
      unless the charge is included with depreciation expense (with the
      fact that it is so included is disclosed) or unless it is separately
      identified in the financial statement? [SFAS 13, par. 13 (AC L10.112a (5)); NCGA 5, par. 27 (GASB Cod. Sec.
      L20.129)]

3. 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 succeed­
      ing fiscal years?
b. Total of future minimum rentals under noncancelable subleases as of the date of the latest balance sheet presented?
   [SFAS 13, par. 16 (AC L10.112b); NCGA 5, par. 27 (GASB Cod. Sec. L20.129)]

4. For all operating leases, do disclosures include rental expense for each period for which an operating statement is presented with separate amounts for minimum rentals, contingent rentals, and sublease rentals?
   [SFAS 13, par. 16 (AC L10.112c); NCGA 5, par. 27 (GASB Cod. Sec. L20.129)]

5. For all leases, a general description of the lessee's leasing arrangements including, but not limited to:
   a. Basis for determination of contingent rentals?
   b. Terms of any renewal or purchase options or escalation clauses?
   c. Restrictive covenants?
   [SFAS 13, par. 16 (AC L10.112d); NCGA 5, par. 27 (GASB Cod. Sec. L20.129)]

6. For operating leases with scheduled rent increases, do lessees report the total amount calculated for the year in accordance with the measurement criteria in GASB 13, pars. 5 and 6, through disclosure in the notes to financial statements or parenthetical display on the operating statement?
   [GASB 13, par. 9 (GASB Cod. Sec. L20.112)]

7. For operating leases with scheduled rent increases, in governmental and similar trust funds, are accrued liabilities in excess of that payable with expendable available financial resources reported in the GLTDAG?
   [GASB 13, par. 9 (GASB Cod. Sec. L20.112)]

J. 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 NCGA 4, par. 14, NCGA 6, par. 46, NCGA1 8, par. 12, NCGA1 9, par. 12, GASB 6, pars. 13 and 23, GASB 10, par. 53, GASB 13, par. 7, GASB 16, par. 6, GASB 18, par. 7, GASB 27, par. 17, and GASBI 1, par. 13 (GASB Cod. Sec. 1500.102)]

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, par. 14, NCGA1 8, pars. 11 and 12, NCGA1 9, par. 12, GASB 6, par. 17, GASB 13, par. 9, GASB 16, par. 13, GASB 17, par. 6, GASB 18, par. 10, GASB 27, par. 16, and GASBI 1, pars. 10 and 12 (GASB Cod. Sec. 1500.103)]

3. Is general long-term debt that is reported in the GLTDAG offset by "other debit" accounts showing the amount available in debt service?

* The guidance in this reference will be superseded, amended, or renumbered as a result of GASB 33, Accounting and Financial Reporting for Nonexchange Transactions, which is effective for financial statements for periods beginning after June 15, 2000, with earlier application encouraged. If applying GASB 33 prior to its effective date, also answer the questions in Appendix B, GASB 33—Accounting and Financial Reporting for Nonexchange Transactions.
funds for debt principal payment and the amount that must be provided in future years for payment of debt principal? [NCGA 1, par. 45 (GASB Cod. Sec. 1500.105)]

4. Are the individual components of general 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)]

5. 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. D20.107)]

K. Fund Balance

1. Is disclosure made of any deficit fund balance or deficit retained earnings of individual funds and identification of how it will be liquidated? [NCGA 1, par. 158; NCGA 16, par. 4, as amended (GASB Cod. Sec. 2300.106); GASB 10, par. 67 (GASB Cod. Sec. C50.124); AAG-SLG, par. 12.20]

2. Is the designation “fund balance” only used in appropriate fund types (e.g., General, Special Revenue, Debt Service, Capital Projects, and Trust Fund types)? [NCGA 1, par. 145, as amended (GASB Cod. Sec. 2200.111)]

3. Are the fund balances of governmental funds classified as either reserved or unreserved? [NCGA 1, par. 121 (GASB Cod. Sec. 1800.126’)]

4. Are designations of the fund balances of governmental funds reported in the unreserved fund balance section of the balance sheet or disclosed parenthetically or in the notes to the financial statements? [NCGA 1, par. 120 (GASB Cod. Sec. 1800.125’)]

5. Are designated or reserved fund balances not evident in the financial statements presented in the notes? [AAG-SLG, par. 12.20]

6. 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. 2200.126)]

7. Are amounts reported as retained earnings and contributed capital only in the proprietary fund types? [NCGA 2, par. 16 (GASB Cod. Sec. G60.116’)]

8. Are retained earnings reserves only shown in proprietary funds? [NCGA 1, par. 122, as amended by GASB 20, pars. 6 and 7 (GASB Cod. Sec. 2200.127); NCGA 1, App. A, Ex. 1 (GASB Cod. Sec. 2200.903)]

The guidance in this reference will be superseded, amended, or renumbered as a result of GASB 33, Accounting and Financial Reporting for Nonexchange Transactions, which is effective for financial statements for periods beginning after June 15, 2000, with earlier application encouraged. If applying GASB 33 prior to its effective date, also answer the questions in Appendix B, GASB 33—Accounting and Financial Reporting for Nonexchange Transactions.
9. Are contributed capital and retained earnings separately disclosed in proprietary fund types? 
[NCGA 1, App. A, as amended by GASB 14 (GASB Cod. Sec. 2200.902 and .903)]

L. Other

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

2. Is escheat property reported as follows:
   a. In either an expendable trust fund or the fund to which the property ultimately escheats? 
   [GASB 21, par. 4 (GASB Cod. Sec. E70.102)]
   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 (GASB Cod. Sec. E70.102)]

3. 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 (GASB Cod. Sec. E70.103)]

4. If escheat property is initially reported in an expendable trust fund, are amounts transferred to the ultimate fund reported as an operating transfer, except as provided in Step 5 below? 
[GASB 21, par. 6 (GASB Cod. Sec. E70.104)]

5. If the assets of an escheat expendable trust fund are less than the liabilities of that fund, is difference reported as an “advance to” (an asset) in the expendable trust fund and an “advance from” (a liability) in the ultimate fund? 
[GASB 21, par. 6 (GASB Cod. Sec. E70.104)]

6. 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. G60.108*)]

7. 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. G60.108*])

8. Are food stamp balances held by a state government or by their agents at the balance-sheet date reported:
   a. As an asset offset by deferred revenue? 
   [GASB 24, par. 6 and fn. 5 (GASB Cod. Sec. G60.119’ and fn. 5)]
   b. Measured based on face value? 
   c. Not reported as cash or cash equivalent?
III. Combined Statement of Revenues, Expenditures, and Changes in Fund Balances—All Governmental Fund Types, Similar Trust Funds, and Discretely Presented Component Units

A. General

1. Is a combined statement that is titled as shown above (adjusted as appropriate for the funds and units included) presented?
   [NCGA 1, par. 139, as amended by GASB 14, pars. 19 and 50; GASB 9, par. 6 (GASB Cod. Sec. 1900.116); NCGA 1, par. 147, as amended by GASB 14, pars. 19, 45, and 46 (GASB Cod. Sec. 2200.114)]

2. Does the statement use an all-inclusive approach to present all changes in fund balance during the period?
   [NCGA 1, par. 146, as amended by GASB 14 (GASB Cod. Sec. 2200.113)]

3. Are revenues classified by fund and source, such as taxes, licenses and permits, intergovernmental revenues, charges for services, fines and forfeits, and miscellaneous?
   [NCGA 1, par. 110 (GASB Cod. Sec. 1800.115)]

4. 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. 2200.114)]

5. Are expenditures classified by function or program and further by character (such as current capital outlays and debt service)?
   [NCGA 1, pars. 111–116 (GASB Cod. Secs. 1800.116–.121)]

6. Are interfund operating transfers, proceeds of long-term debt, including capital leases, and certain payments related to advance refundings and demand bonds classified separately from fund revenues and expenditures as “Other Financing Sources” and “Other Financing Use”?
   [NCGA 1, par. 100 (GASB Cod. Sec. 1800.101); NCGA 1, par. 105; SOP 77-2, par. 4; GASB 21, par. 6; NCGA 1, par. 106, fns. 18 and 19; NCGA 1, par. 107, as amended by GASB 6, par. 13; NCGAI 1, par. 108, as amended by GASB 6, par. 19; GASB 7, par. 8; GASBI 1, pars. 10 and 13; NCGA 5, par. 14 (GASB Cod. Secs. 1800.106–.113)]

7. Are residual equity transfers reported as additions to or deductions from beginning fund balance?
   [NCGA 1, par. 106, fns. 18 and 19 (GASB Cod. Sec. 1800.107)]

8. Does the statement reconcile either beginning and ending total fund balances or beginning and ending unreserved fund balances?
   [NCGA 1, App. A, Ex. 2 (GASB Cod. Sec. 2200.904)]

9. If the statement presents changes in total fund balance, are material changes in each reserve and designation disclosed in notes to the financial statements?
   [AAG-SLG, par. 12.19]

10. Are the revenues and expenditures of expendable trust funds accounted for using the modified accrual basis of accounting?
    [NCGA 1, par. 57 (GASB Cod. Sec. 1600, Statement of Principle)]
B. Property Taxes

1. Are property taxes recognized as revenue in the fiscal period levied, provided that they are due before year end and collected in the current period or within 60 days thereafter?26
   [NCGAI 3, pars. 6 and 8 (GASB Cod. Sec. P70.103*)]

2. 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. P70.103¹); AAG-SLG, par. 8.10]

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

4. If the 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*)]

5. If property taxes receivable are recognized, or if property taxes are collected in advance of the year for which they are levied, are they recorded as deferred revenue and recognized as revenue in the year for which they are levied, subject to the recognition criterion in Step 1 above?
   [NCGAI 3, par. 7 (GASB Cod. Sec. P70.108*)]

6. Are the details of the governmental unit’s property tax calendar disclosed, including lien dates, levy dates, due dates, and collection dates?
   [NCGAI 3, par. 11 (GASB Cod. Sec. P70.109*)]

C. Grants, Entitlements, Shared Revenues, and Other Financial Assistance

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

2. Are all cash pass-through grants reported in the financial statements?
   [GASB 24, par. 5 (GASB Cod. Sec. G60.107*)]

3. If a state government, does the entity recognize revenue and expenditures for food stamps when the benefits are distributed to the individual recipients by the state government or its agents, measured based on the face value of the stamps?
   [GASB 24, par. 6 (GASB Cod. Sec. G60.119*)]

4. Are distributions of food stamp benefits recognized as revenue and expenditures in the general or special revenue fund?
   [GASB 24, par. 6 (GASB Cod. Sec. G60.119*)]

26 GASB 5, *Property Tax Revenue Recognition in Governmental Funds*, eliminates the requirement that property taxes be due before year-end to be recognized as revenue. The provisions of that Interpretation are effective for financial statements for periods beginning after June 15, 2000. Earlier application is encouraged.

* The guidance in this reference will be superseded, amended, or renumbered as a result of GASB 33, *Accounting and Financial Reporting for Nonexchange Transactions*, which is effective for financial statements for periods beginning after June 15, 2000, with earlier application encouraged. If applying GASB 33 prior to its effective date, also answer the questions in Appendix B, GASB 33—*Accounting and Financial Reporting for Nonexchange Transactions*. 

65
5. Are the amounts recognized for on-behalf payments for fringe benefits and salaries disclosed in the notes to the financial statements?  
   [GASB 24, par. 12 (GASB Cod. Sec. G60.125*)]  
   Yes  No  N/A

6. For on-behalf payments that are contributions to a pension plan for which the employer government is not legally responsible, is the name of the plan that covers the government's employees and the name of the entity that makes the contributions disclosed?  
   [GASB 24, par. 12 (GASB Cod. Sec. G60.125*)]  
   Yes  No  N/A

7. If there are two legally separate entities that are the parties to a transaction involving pass-through grants or on-behalf payments for fringe benefits and salaries and they are part of the same governmental reporting entity, are revenue and expenditures or expenses relating to these intra-reporting entity transactions reclassified as operating transfers, based on the amount recognized as revenue by the employer entity?  
   [GASB 24, par. 14 (GASB Cod. Sec. G60.127*)]  
   Yes  No  N/A

D. Expenditures
1. Are inventory items (materials and supplies) considered expenditures, either when purchased (purchase method) or when used (consumption method)?  
   [NCGA 1, par. 73 (GASB Cod. Sec. 1600.124*)]  
   Yes  No  N/A

2. 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 (GASB Cod. Sec. 1600.124)]  
   Yes  No  N/A

3. If debt service fund resources are provided during the current year for payment of principal and interest due early in the following year and the entity recognizes the debt service expenditure and related liability in the debt service fund, is disclosure made of that recognition policy?  
   [NCGA 1, par. 72; GASB 6, pars. 15* and 17 (GASB Cod. Sec. 1600.123*)]  
   Yes  No  N/A

4. Are the expenditures or expenses for the on-behalf payments that the paying government makes classified in the same manner that it classifies similar cash grants to other entities?  
   [GASB 24, par. 13 (GASB Cod. Sec. G60.126*)]  
   Yes  No  N/A

5. Is the policy of not recording depreciation expense followed in all governmental funds?  
   [NCGA 1, par. 54 (GASB Cod. Sec. 1400.116)]  
   Yes  No  N/A

IV. Combined Statement of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual—General and Special Revenue Fund Types (and Similar Governmental Fund Types of the Primary Government for Which Annual Budgets Have Been Legally Adopted)

A. General
1. Is a combined statement that is titled as shown above (adjusted as appropriate for the funds included) presented for the general fund,

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all special revenue funds, and other governmental fund types for which annual budgets are legally adopted?
[NCGA 1, par. 153; GASB 14, par. 56 (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?
[GASB 14, par. 56 (GASB Cod. Sec. 2200.103)]

3. Is the budget data in this statement presented based on the appropriated budgets for those funds, as amended?
[GASB 14, par. 56 (GASB Cod. Sec. 2200.128)]

4. Is the actual data in this statement presented using the legally prescribed budgetary basis, even if that basis differs from GAAP?
[NCGA 1, par. 154, as amended by GASB 14 (GASB Cod. Sec. 2400.104)]

5. Are differences between the budgetary basis and GAAP (as well as other differences) explained in the notes to financial statements?
[NCGA 1, par. 154, as amended by GASB 14 and NCGAI 10, pars. 15–25 (GASB Cod. Sec. 2400.104 and .113–.123); AAG-SLG, par. 9.19]

6. Do the notes to financial statements disclose the degree to which the reporting entity's financial operations are subject to a comprehensive "appropriated budget," "nonappropriated budget," or are non-budgeted financial activities?
[NCGAI 10, par. 13 (GASB Cod. Sec. 2400.111)]

7. If 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)]

8. Does the entity disclose the excess of expenditures over appropriations in individual funds, if any, and explanations for those excesses, including remedial action planned by or required of the issuer?
[NCGAI 6, App. (GASB Cod. Sec. 2300.901)]

V. Combined Statement of Revenues, Expenses, and Changes in Retained Earnings (or Equity)—All Proprietary Fund Types, Similar Trust Funds, and Discretely Presented Component Units

A. General

1. Is a combined statement that is titled as shown above (adjusted as appropriate for the funds and units included) presented?
[NCGA 1, par. 139, as amended by GASB 14 (GASB Cod. Sec. 2200.108)]

2. Is a separate column used for each proprietary fund type, similar trust fund, and discretely presented component unit showing combined results for all funds of that type?
[NCGA 1, par. 147; GASB 14, pars. 19, 45, and 46 (GASB Cod. Sec. 2200.114)]

3. Are the revenue and expenses of proprietary funds classified in essentially the same manner as similar business organizations, trusts, or activities?
[NCGA 1, par. 117, as amended by GASB 20, pars. 6 and 7 (GASB Cod. Sec. 1800.122)]
4. Are the revenue and expenses of proprietary funds recognized in essentially the same manner as in commercial accounting? [NCGA 1, par. 74, as amended by GASB 20, pars. 6 and 7 (GASB Cod. Sec. 1600.127)]

5. Are proprietary fund grants, entitlements, and shared revenues received for operating purposes, or that may be used for either operations or capital expenditures at the discretion of the recipient government, reported as “nonoperating” revenues? [NCGA 2, par. 12 (GASB Cod. Sec. G60.112')]

6. Are operating transfers reported in a separate classification after “operating income or loss”? [NCGA 1, par. 106 (GASB Cod. Sec. 1800.107)]

7. Are the revenues and expenses of nonexpendable trust funds accounted for using the accrual basis of accounting? [NCGA 1, par. 57 (GASB Cod. Sec. 1600, Statement of Principle)]

8. Does the statement reconcile either beginning and ending total fund equity or beginning and ending unreserved retained earnings/fund balances? [NCGA 1, App. A, Ex. 4 (GASB Cod. Sec. 2200.906)]

9. If the statement presents changes in unreserved retained earnings/fund balances, are changes in the reserves during the year presented in a separate section after net income? [NCGA 1, App. A, Ex. 4 (GASB Cod. Sec. 2200.906)]

10. If depreciation on assets acquired or constructed through capital grants is closed to contributed capital, is that amount (a) included in depreciation expense and (b) added back in the operating statement after net income but before changes in fund equity? [NCGA 2, par. 18 (GASB Cod. Sec. G60.118')]

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? [FASBI 30, par. 4 (AC N35.118)]

2. 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)]

3. 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)]

* The guidance in this reference will be superseded, amended, or renumbered as a result of GASB 33, Accounting and Financial Reporting for Nonexchange Transactions, which is effective for financial statements for periods beginning after June 15, 2000, with earlier application encouraged. If applying GASB 33 prior to its effective date, also answer the questions in Appendix B, GASB 33—Accounting and Financial Reporting for Nonexchange Transactions.
4. Are all extraordinary items segregated from results of ordinary operations?  
[APB 30, par. 10]  

5. For an adjustment of an extraordinary item reported in a prior period:  
a. Is the adjustment classified separately as an extraordinary item in the current period?  

b. Are the nature, origin, and amount of the item disclosed?  
[SFAS 16, par. 16(c) (AC II7.119)]

C. Interest Costs to Acquire Certain Assets  
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 about depreciation made in the financial statements or in the notes:  
a. Depreciation expense for the period?  
b. A general description of the method or methods used in computing depreciation with respect to major classes of depreciable assets?  
[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. 12 (AC F80.112); GTB 94-1, par. 7 (GASB Cod. Sec. 2300.601)]

G. Foreign Currency Translation  
1. Are the following disclosures made in the financial statements or the notes thereto:  
a. The aggregate transaction gain or loss included in determining net income for the period?
b. An analysis of the changes during the period in the separate component of equity for cumulative translation adjustments?  

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c. Rate changes that occur after the date of the enterprise’s financial statements and their effects on unsettled balances pertaining to foreign currency transactions, if significant?  

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| d. An analysis and discussion of the effects of rate changes on the reported results of operations?  

[SFAS 52, pars. 30–32 and 142–144 (AC F60.140–143); GTB 94-1, par. 7 (GASB Cod. Sec. 2300.601)]

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H. 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)]

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<th>Yes</th>
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I. Environmental Remediation Costs

1. If the entity classifies items as operating and nonoperating, are environmental remediation expenses generally reported as operating items?  

[SOP 96-1, par. 7.8]

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2. Are credits arising from recoveries of environmental losses from other parties reported as a reduction of environmental remediation expenses?  

[SOP 96-1, par. 7.8]

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3. Are earnings on assets that are reported in the financial statements and earmarked for funding environmental liabilities reported as investment income?  

[SOP 96-1, par. 7.8]

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4. Are the following disclosures made:

   a. The amount recognized for environmental remediation loss contingencies each period?  

      | Yes | No | N/A |
      |-----|----|-----|

      |   |   |   |

   b. The amount of any recovery from third parties that is credited to environmental remediation costs in each period?  

      | Yes | No | N/A |
      |-----|----|-----|

      |   |   |   |

   c. The income statement caption in which environmental remediation costs and credits are included?  

      [SOP 96-1, par. 7.29]

      | Yes | No | N/A |
      |-----|----|-----|

      |   |   |   |

J. Inventories

1. If substantial and unusual losses result from writing-down inventories to market values, are these disclosed separately from other expenses (for example, cost of goods sold) in the operating statement?  

[ARB 43, Ch. 4, par. 14 (AC I78.117)]

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<th>Yes</th>
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K. Segment Information

1. Are segment disclosures made if (a) the enterprise fund has material long-term liabilities outstanding, (b) the disclosures are essential to
assure the GPFS are not misleading or (c) the disclosures are necessary to assure interperiod comparability? [NCGAI 2, pars. 3, 4, and 6 (GASB Cod. Sec. 2500.102)]

2. Are the following disclosures made for each enterprise fund identified in Step 1 above 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, Nonexpendable Trust Funds, and Discretely Presented Component Units

A. Title

   1. Is a combined statement that is titled as shown above (adjusted as appropriate for the funds and units included) presented? [NCGAI 1, par. 156; GASB 9, pars. 6 and 36; GASB 14, pars. 19, 45, and 46 (GASB Cod. Sec. 2200.116)]

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27 Circumstances under which segment information is necessary to make the GPFS not misleading include, but are not necessarily limited to (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, and (e) a material enterprise fund net income or loss. For purposes of identifying reportable segment information, materiality should generally be evaluated in the context of individual enterprise funds, not in the context of the enterprise fund type taken as a whole. [NCGAI 2, par. 5 (GASB Cod. Sec. 2500.105)]
2. Does the statement not include pension and investment trust funds, unless, for pension trust funds, the statement is considered useful? [GASB 9, par. 5; GASB 31, par. 17 (GASB Cod. Sec. 2450.102)]

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 operating income (or net income if operating income is not separately identified on the operating statement) reconciled to net cash flow from operating activities? [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? [GASB 9, par. 8 (GASB Cod. Sec. 2450.105)]

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. Are the total amounts of cash and cash equivalents at the beginning and end of the period shown in the statement of cash flows easily traceable to similarly titled line items or subtotals shown in the statement of financial position as of those dates? [GASB 9, par. 8 (GASB Cod. Sec. 2450.105)]

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

7. Generally, is information about cash receipts and cash payments presented as gross amounts rather than as net amounts? [GASB 9, pars. 12-14 (GASB Cod. Secs. 2450.109-.111)]

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, including receipts from collection of accounts receivable and both short- and long-term notes receivable from customers arising from those sales? ___ ___ ___
   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, including principal payments on accounts payable and both short- and long-term notes payable to suppliers for those materials or goods? ___ ___ ___
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? ________ ________ ________

2. Are transactions of loan programs undertaken to fulfill a governmental responsibility classified as transactions from operating activities? ________ ________ ________

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

4. Are cash receipts and cash payments for the following transactions classified as cash flows from capital and related financing activities:
   a. Proceeds from issuing or refunding bonds, mortgages, notes, and other short- or long-term borrowing clearly attributable to the acquisition, construction, or improvement of capital assets? ________ ________ ________
   b. Receipts from capital grants awarded to the governmental enterprise? ________ ________ ________


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<td>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?</td>
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<td>d. Receipts from sales of capital assets; also, proceeds from insurance on capital assets that are stolen or destroyed?</td>
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<td>e. Receipts from special assessments or property and other taxes levied specifically to finance the construction, acquisition, or improvement of capital assets?</td>
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<td>f. Payments to acquire, construct, or improve capital assets?</td>
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<td>g. Repayments or refundings of amounts borrowed specifically to acquire, construct, or improve capital assets?</td>
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<td>h. Other principal payments to vendors who have extended credit to the governmental enterprise directly for purposes of acquiring, constructing, or improving capital assets?</td>
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<tr>
<td>i. Cash payments to lenders and other creditors for interest directly related to acquiring, constructing, or improving capital assets?</td>
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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? |     |     |     |
   b. Receipts from sales of equity instruments and from returns of investment in those instruments? |     |     |     |
   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? |     |     |     |
   d. Withdrawals from investment pools that the governmental enterprise is not using as demand accounts? |     |     |     |
   e. Disbursements for loans (except program loans) made by the governmental enterprise and payments to acquire debt instruments of other entities (other than cash equivalents)? |     |     |     |
   f. Payments to acquire equity instruments? |     |     |     |
   g. Deposits into investment pools that the governmental enterprise is not using as demand accounts? |     |     |     |

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? |     |     |     |

2. If net cash flows from operating activities are reported using the direct method, are the following classes of operating cash receipts and payments separately reported:
   a. Cash receipts from customers? |     |     |     |
b. Cash receipts from quasi-external operating transactions with other funds?

c. Other operating cash receipts, if any?

d. Cash payments to employees for services?

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

f. Cash payments for quasi-external operating transactions with other funds, including payments in lieu of taxes?

g. Other operating cash payments, if any?

[GASB 9, par. 31 (GASB Cod. Sec. 2450.128)]

3. 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)]

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

(2) 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)]

4. 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)]

5. 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)]

6. 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)]

7. 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)]

8. 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)]
9. Is only one method (direct or indirect) used in the combined statement of cash flows?  
   [GASB 9, par. 36 (GASB Cod. Sec. 2450.133)]

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)]

2. Is the information presented in a separate schedule (narrative or tabular)?  
   [GASB 9, par. 37 (GASB Cod. Sec. 2450.134)]

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: GASB 32—Deferred Compensation Plans

1. If the entity’s IRC Section 457 deferred compensation plan meets the criteria in NCGAS 1, par. 26(3)(8) for inclusion in the fiduciary funds of the entity, is it reported as an expendable trust fund?  
   [GASB 32, par. 4]

2. Are all investments reported at fair value, except as provided for in GASB Cod. Sec. I50.106, .107, and .110?  
   [GASB 32, par. 5]

3. If it is impractical to obtain investment valuation information from the plan administrator as of the entity’s balance sheet date, are the investments valued using the most recent report, adjusted for interim contributions and withdrawals?  
   [GASB 32, par. 6]


Note: The requirements of GASB 33 are effective for financial statements for periods beginning after June 15, 2000. Earlier application is encouraged. The provisions of GASB 33 for accrual-basis revenue recognition cannot become effective for governmental activities until one or more Statements requiring accrual-basis accounting for those activities become effective. Under the existing financial reporting models, the modified accrual provisions of GASB 33 should be used for governmental funds and expendable trust funds, and the accrual provisions should be used for proprietary funds; nonexpendable, pension, and investment trust funds; colleges and universities; and entities that use proprietary fund accounting. [GASB 33, par. 31 and footnote 17]

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28 GASB 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, is effective for financial statements for periods beginning after December 31, 1998, unless a government complies with the requirements of subsection (g) of IRC Section 457 in an earlier period, in which case application of the Statement is required for the financial reporting period in which compliance occurs.
### General

1. Is the accounting and financial reporting of nonexchange transactions appropriate for their class and characteristics (derived tax revenues, imposed nonexchange transactions, government-mandated nonexchange transactions, or voluntary nonexchange transactions), as described in paragraph 7 of GASB 33?  
   [GASB 33, par. 8]  
   ---  ---  ---

2. Are transactions that have the same characteristics (from an accounting and financial reporting perspective) reported in the same way?  
   [GASB 33, par. 9]  
   ---  ---  ---

3. Are transactions that are not recognizable because they are not measurable disclosed?  
   [GASB 33, par. 11]  
   ---  ---  ---

4. Do recipients of resources with purpose restrictions report resulting net assets (or equity or fund balance, as appropriate) as restricted until the resources are used for the specified purpose or for as long as the provider requires the resources to be maintained intact (for example, endowment principal)?  
   [GASB 33, par. 14]  
   ---  ---  ---

5. For "reimbursement-type" or "expenditure-driven" grant programs, as described in paragraph 15 of GASB 33, are cash and other assets provided in advance reported as advances [assets] by providers and as deferred revenues [liabilities] by recipients until allowable costs have been incurred and any other eligibility requirements have been met?  
   [GASB 33, par. 15]  
   ---  ---  ---

Note: For revenue recognition, the standards in Steps 6 through 9 apply when the accrual basis of accounting is required.  
   [GASB 33, par. 11]

### Derived Tax Revenue Transactions

6. Are resources received in advance reported as deferred revenues (liabilities) until the period of the exchange?  
   [GASB 33, par. 16]  
   ---  ---  ---

### Imposed Nonexchange Revenue Transactions

7. If the enabling legislation includes time requirements, are resources received or recognized as receivable before the period they are required to be used or when use is first permitted reported as deferred revenues?  
   [GASB 33, par. 18]  
   ---  ---  ---

### Government-Mandated Nonexchange Transactions and Voluntary Nonexchange Transactions

8. Are resources transmitted before the eligibility requirements are met reported as advances by the provider and as deferred revenues by recipients, except as indicated in paragraph 22 for recipients of certain resources transmitted in advance?  
   [GASB 33, par. 21]  
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29 For a governmental fund, recipients should report a reservation of fund balance. Accounting for contraventions of purpose restrictions is discussed in paragraph 26 of GASB 33.
9. In transactions where the provider transmits cash or other assets with
the stipulation (time requirement) that the resources cannot be sold,
disbursed, or consumed until after a specified number of years have
passed or a specific event has occurred, if ever, and in the interim, the
provider requires or permits the recipient to benefit from the re-
sources—

a. Are resulting net assets (or equity or fund balance, as appropriate)
reported as restricted for as long as the provider's purpose restric-
tions or time requirements remain in effect?
[GASB 33, par. 22]

b. For a governmental fund, does the recipient report a reservation
of fund balance?
[GASB 33, footnote 13]

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Transition Issues

10. In the first period that GASB 33 is applied—

a. Are accounting changes made to comply with the Statement
treated as an adjustment of prior periods?
[GASB 33, par. 31]

b. Are financial statements presented for the periods affected re-
   stated?\(^{30,31}\)
[GASB 33, par. 31]

c. If restatement of the financial statements for prior periods is not
   practical, is the cumulative effect of applying GASB 33 reported
   as a restatement of beginning net assets (or equity or fund balance,
   as appropriate) for the earliest period restated (generally the cur-
   rent period)?
[GASB 33, par. 31]

d. In the first period that GASB 33 is applied, do the financial state-
   ments disclose the nature of the restatement and its effect?
[GASB 33, par. 31]

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Appendix C: GASB Technical Bulletin 98-1, Disclosures About
Year 2000 Issues, and GASB Technical Bulletin 99-1, Disclosures
About Year 2000 Issues—an Amendment of Technical Bulletin 98-1

Note: The provisions of GTB 98-1 are effective for financial statements on
which the auditor's report is dated after October 31, 1998. The provisions
of GTB 99-1 were effective immediately upon issuance, with retroactive
application allowed, and terminate for financial statements for periods
ending after December 31, 1999 unless mission-critical systems and other
equipment are not operating because of the year 2000 issue as of the
balance sheet date.

\(^{30}\) GASB 33 requires governments to recognize capital contributions to proprietary funds and to other governmental entities that use
proprietary fund accounting as revenues, not contributed capital. However, governments should not restate contributed capital arising
from periods prior to implementation of the Statement until the Board issues one or more Statements requiring restatement of those
prior-period balances. [GASB 33, footnote 18]

\(^{31}\) Prior-period adjustments and restatement of the financial statements are not required for promises of private donations. [GASB 33,
par. 31]
1. Are the following disclosures made either in the notes to the financial statements or in required supplementary information following the notes:

   a. Any significant amount of resources committed—contracted amounts at the end of the government's reporting period—to address year 2000 issues for computer systems and other electronic equipment?

   b. A general description of the year 2000 issue as it relates to the organization, including a description of the stages of work in process or completed as of the end of the government's reporting period to address year 2000 issues for computer systems and other electronic equipment critical to conduction operations? (If computer systems and other electronic equipment critical to operations are in the same stage of work, the description of these systems and equipment may be combined for disclosure.)

   c. An indication that the completion of these stages is not a guarantee that systems and equipment will be year 2000-compliant?

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32 GTBs 98-1 and 99-1 identify four stages of work necessary to address the year 2000 issue.
FSP Section 13,400

Auditors' Reports Checklist

.01 This checklist has been developed by the staff of the Accounting and Auditing Publications Team of the AICPA as a nonauthoritative practice aid. This checklist contains the basic requirements for reporting on an audit of the financial statements in accordance with GAAS report and not for all reports required to be issued in a GAS or single audit.

.02 Illustrative auditor’s reports can be found in the AICPA and Accounting Guide Audits of State and Local Governmental Units, Appendix A.

.03 Explanation of References:

NCGA = National Council on Governmental Accounting Statement
SAS = AICPA Statements on Auditing Standards
AU = 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, 1998)
AAG-SLG = AICPA and Accounting Guide, Audits of State and Local Governmental Units (1999 edition)

.04 Checklist Questionnaire:

1. Does the auditors’ report include the appropriate:
   a. Addressee?
      [SAS 58, par. 9, as amended by SAS 79 (AU 508.09)]
   b. Date (or dual dates) of the report?
      [SAS 1, sec. 530.05 (AU 530.05); SAS 58, pars. 8j and 28, as amended by SAS 79 (AU 508.08) and .28]
   c. A title that includes the word "independent"?
      [SAS 58, par. 8a, as amended by SAS 79 (AU 504.08a)]

2. If the auditor is not independent, is the appropriate disclaimer expressed, regardless of the extent of services provided?
   [SAS 26, pars. 5, 9, and 10 (AU 504.05, .09, and .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, as amended by SAS 79 (AU 508.08)]

4. Does the report include appropriate language for the following situations:
a. Only one basic financial statement is presented and there are no scope limitations?
[SAS 58, pars. 33 and 34, as amended by SAS 79 (AU 508.33 and .34)]

b. Audited and unaudited financial statements are presented in comparative form?
[SAS 26, pars. 15–17 (AU 504.15–.17)]

c. The financial statements are presented on a comparative basis?
[AU 315.13, 508.67, and .74]

5. Does the auditor’s report precede the basic financial statements?
[NCGA 1, pars. 136 and 166, as amended by GASB 14 (GASB Cod. Sec. 2200.104)]

6. Does the report specifically identify in the introductory paragraph each financial statement audited?
[AU 504.06]

7. If applicable, does the report indicate the division of responsibility between the principal and other auditors and the magnitude of the portion of the financial statements audited by other auditors?
[SAS 58, pars. 12 and 13 (AU 508.12 and .13); SAS 1, sec. 543 (AU 543.03 and .07)]

a. 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, account groups, or discretely presented component unit columns in which the amounts are included?
[SAS 1, sec. 543 (AU 543.03 and .07); SAS 58, pars. 12 and 13 (AU 508.12 and .13); AAG-SLG, par. 3.09]

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

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

b. 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 is that conclusion expressed through the use of the phrase “substantial doubt about its (the entity’s) ability to continue as a going concern”?¹
[SAS 59, par. 13, as amended by SAS 64, par. 1 and SAS 77 (AU 341.12 and .13)]

c. There is a material change between periods in accounting principles or in the method of their application?
[SAS 58, pars. 16–18, as amended by SAS 79 (AU 508.16–18)]

d. In an updated report on comparative financial statements, the opinion on the prior period is different from the one previously expressed?
[SAS 58, pars. 68 and 69, as amended by SAS 79 (AU 508.68 and .69)]

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¹ If the auditor concludes that the entity’s disclosures with respect to the entity’s ability to continue as a going concern for a reasonable period of time are inadequate, a departure from generally accepted accounting principles exists. This may result in either a qualified (except for) or an adverse opinion. Reporting guidance for such situations is provided in AU 508.
e. 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)]

f. 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)]

g. A matter regarding the financial statements needs to be emphasized?
   [SAS 58, par. 19, as amended by SAS 79 (AU 508.19); Interpretation 38 of SAS 1, sec. 410 (AU 9410.17 and .18); Interpretation 1 of SAS 57 (AU 9342.03)]

h. The auditor uses the work of a specialist in performing an audit and the auditor decides to add an explanatory paragraph?
   [SAS 73, par. 16 (AU 336.16)]

9. If the financial statements of a prior period are audited by a predecessor auditor whose report is not presented, does the successor auditor’s report indicate in the introductory paragraph:
   a. The financial statements of the prior period are audited by another auditor?
   b. The date of the predecessor’s report?
   c. The type of report issued by the predecessor auditor?
   d. If the report is other than a standard report, the substantive reasons therefor?
   e. If the prior year’s financial statements are restated, a statement that a predecessor auditor reported on the financial statements of the prior period before restatement?
      (1) 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 58, as amended by SAS 64, par. 2 and SAS 79 (AU 508.74)]

10. 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. 22–26, as amended by SAS 79 (AU 508.22–.26)]

Note: Consult the AU Topical Index to the AICPA Professional Standards, under “Scope of Audit—Limitations” for additional references to specific types of scope limitations that could result in either a qualified or disclaimer of opinion.
11. If a modified report is issued due to a scope limitation:2

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. 25, as amended by SAS 79 (AU 508.25)]

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 (for example, that 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. 26, as amended by SAS 79 (AU 508.26)]

12. If the auditor is engaged to audit the combining and individual fund and account group financial statements in addition to a General Purpose Financial Statement (GPFS), does the auditor’s opinion address each presentation as a primary statement?  
[AAG-SLG, pars. 18.42 and 18.43]

13. If additional information, including statistical data, accompanies the GPFS in an auditor-submitted document, does the report on the accompanying information:

a. State that the audit has been performed for the purpose of forming an opinion on the GPFS taken as a whole?  

b. Specifically identify the accompanying information?

c. State that the accompanying information is presented for purposes of additional analysis and is not a required part of the GPFS?

d. State whether the accompanying information has been subjected to the auditing procedures applied in the audit of the GPFS and make the appropriate expression of opinion or disclaimer?  
[SAS 29, pars. 6–11 (AU 551.06–11); AAG-SLG, pars. 18.37, 18.38, and 18.43]

14. 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)?3  
[SAS 32, par. 3 (AU 431.03); SAS 58, pars. 35–57, as amended by SAS 79 (AU 508.35–57)]

b. Essential data concerning an impending change in GAAP and the future resulting restatement are not disclosed?  
[Interpretation 38 of SAS 1, sec. 410 (AU 9410.15)]

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2 This includes when the auditor is unable to obtain sufficient, evidential matter to support management’s assertions about the nature of a matter involving an uncertainty and its presentation or disclosure in the financial statements. [SAS 58, as amended by SAS 79, par. 31 (AU 508.31)]

3 The auditor should express a qualified or an adverse opinion if the auditor concludes that (a) a matter involving a risk or an uncertainty is not adequately disclosed in conformity with GAAP, (b) the accounting principles used cause the financial statements to be materially misstated when the inability to make a reasonable estimate raises questions about the appropriateness of the accounting principles used, and (c) management’s estimate is unreasonable and that its effect is to cause the financial statements to be materially misstated. [SAS 58, pars. 46–49, as amended by SAS 79 (AU 508.46–49)]
c. The auditor concludes that an illegal act has a material effect on the financial statements, and the act has not been properly accounted for or disclosed?  
[SAS 54, par. 18 (AU 317.18)]

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d. In a reaudit engagement, the auditor, as a successor auditor, is unable to obtain sufficient competent evidential matter to express an opinion on the financial statements?  
[AU 315.18]

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e. The reporting entity includes some, but not all, component units in the reporting entity financial statements?  
[AAG-SLG, par. 18.45]

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f. Financial statements for funds, fund types, or account groups that should be included in the GPFS (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, fund type, or account group?  

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(2) Does the explanatory paragraph disclose the effects on the financial statements, if reasonably determinable?  
[AAG-SLG, par. 18.46]

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Note: Consult the AU Topical Index to the AICPA Professional Standards, under “Departures from Established Principles,” “Adverse Opinions,” and “Qualified Opinions” for additional references to specific types of GAAP departures that could result in either a qualified or adverse opinion.

15. If the auditor is engaged to audit financial statements of a primary government that omit the financial data of each component unit, does the auditors’ report:

a. Indicate that the financial statements are those of the primary government and not of the financial reporting entity?  

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b. Define the term primary government?  

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c. Give an appropriate opinion on the primary government financial statements?  
[AAG-SLG, par. 18.44]

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d. Opine that the primary government financial statements do not fairly present financial position and results of operations of the financial reporting entity in conformity with GAAP?  

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16. 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. 18.47]

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17. If the auditor is engaged to audit financial statements that include an unaudited component unit, has the auditor considered a qualification or disclaimer of opinion, depending on the materiality of the unaudited component unit to the governmental unit’s financial statements?  
[AAG-SLG, par. 18.48]

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18. If the auditor is engaged to audit financial statements of a department or agency that constitutes less than a fund, does the auditor’s report include a paragraph that indicates that the statements present information for only a portion of the financial reporting entity?
[AAG-SLG, par. 18.49]

19. In the situation of a joint audit, for example, with a minority or smaller CPA firm, is the report on the audit signed by the principal auditor if the principle auditor has been able to satisfy himself/herself as to the performance of the other auditor as provided in SAS 1, section 543?
[AAG-SLG, pars. 18.54 and 18.55; SAS 1, sec. 543, par. 4 (AU 543.04)]

20. 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. 21, 59, 60, and 62, as amended by SAS 79 (AU 508.21, .59, .60, and .62)]

21. Is the reporting form and content of SAS 60, paragraphs 9-19, followed when communicating internal control-related matters noted in an audit?
[SAS 60, pars. 9-19 (AU 325.09-.19)]

22. If during a GAAS audit of the financial statements the auditor becomes aware that the entity is subject to an audit requirement not encompassed in the terms of the engagement, did the auditor consider the client’s actions in response to such communication including the potential effect on the financial statements and auditor’s report?
[SAS 74, pars. 22 and 23 (AU 801.22 and .23)]

23. With respect to disclosures made to comply with GTBs 98-1 and 99-1, has the auditor considered the nonauthoritative guidance posted on the AICPA Web site at http://www.aicpa.org (see note below)?

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

Note: In response to the GTBs 98-1 and 99-1, the AICPA issued two pieces of nonauthoritative guidance to address a number of audit-related questions. The guidance is available on the AICPA Web site at http://www.aicpa.org. The first, titled AICPA Illustrative Reporting Guidance on Year 2000 Disclosures Made Under GASB TB 98-1 (Issued October 22, 1998, Amended March 29, 1999), addresses audit considerations when the year 2000 disclosures are presented in an audited note to the financial statements. It instructs auditors to consider issuing qualified opinions (scope limitations) with respect to the required year 2000 disclosures and includes illustrative report language. The reasons for this cautionary guidance stemmed in part from the TB’s requirement to include the year 2000 information as an audited note disclosure. As a result, many governmental entities received qualified opinions on their financial statements during 1998 and into early 1999.

(continued)

4 Reportable conditions in internal control must be communicated, preferably in writing, to the audit committee or to individuals with a level of authority and responsibility equivalent to an audit committee in organizations that do not have one. The auditor may also identify matters that, in his judgment, are not reportable conditions; however, the auditor may choose to communicate such matters for the benefit of management (and other recipients, as appropriate). [SAS 60, pars. 1 and 3 (AU 325.01 and .03); AU 9311.47]
After the issuance of GTB 99-1, which allowed for the disclosures to be made as required supplementary information (RSI), a second piece of AICPA nonauthoritative guidance was issued to address the auditor's consideration of the required year 2000 disclosures when they are presented as RSI. Further, the original AICPA guidance that was issued on GTB 98-1 was revised to amend the section on omitted disclosures. The AICPA guidance titled AICPA Guidance on Year 2000 Disclosures Made Pursuant to GASB TB 99-1, provides auditors with various reporting alternatives and illustrative report wording when the disclosures are made as RSI.

Some entities applied GTB 98-1 and issued their audited financial statements prior to the effective date of GTB 99-1. The March 29, 1999, guidance can also assist auditors when a governmental entity wishes to retroactively apply the provisions of GTB 99-1, present the required disclosures as supplementary information, and reissue its audited financial statements.
FSP Section 13,500  

Auditors’ Reports on Audits Performed Under Government Auditing Standards and OMB Circular A-133 Checklist

.01 This checklist has been developed by the staff of the Accounting and Auditing Publications Team of the AICPA as a nonauthoritative practice aid.

.02 This checklist has two parts: Part I is for auditors’ reports on financial audits performed under Government Auditing Standards (GAS, which is also known as the Yellow Book). (This checklist does not address the performance auditing standards of GAS.) Part II contains the additional requirements for auditors’ reports on audits performed under the Single Audit Act Amendments of 1996 in accordance with OMB Circular A-133. For audits performed under Circular A-133, both Parts I and II of this checklist must be completed.

.03 Explanation of References:

A-133 = Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (June 1997 Revision)
GAS = General Accounting Office Government Auditing Standards (1994 Revision)
SAS = AICPA Statement on Auditing Standards
AU = Reference to section number in AICPA Professional Standards (vol. 1)
SOP = AICPA Statement of Position
AAG-SLG = AICPA Audit and Accounting Guide Audits of State and Local Governmental Units (with conforming changes as of May 1, 1999)
ARA-SLG = AICPA Audit Risk Alert, State and Local Governmental Developments—1999

.04 Checklist Questionnaire:

Yes  No  N/A

Part I—Reports on Audits Performed in Accordance with Government Auditing Standards

1. In a financial audit performed in accordance with GAS, are the following reports issued:

   a. A report on the entity’s financial statements?1

   b. A report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with GAS? [GAS, Ch. 5, pars. 2 and 15; SOP 98-3, par. 10.15]

---

1 See the checklist for auditor’s reports on the financial statements at section 13,400.
Report on the Financial Statements

2. Does the auditor's report on the financial statements:
   a. Contain a statement that the audit was conducted in accordance with GAAS and with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States?²
   [GAS, Ch. 5, par. 11; SOP 98-3, pars. 10.16(b) and 10.35]
   
   b. Either describe the scope of the auditors' testing of compliance with laws and regulations and internal controls and present the results of these tests or refer to separate reports containing that information?
   [GAS, Ch. 5, par. 15; SOP 98-3, pars. 10.16(c) and 10.35]

3. If a material component unit or fund of the reporting entity is not required to have a GAS audit, has the scope paragraph of the report on the financial statements been modified to indicate the portion of the reporting entity that was not audited in accordance with GAS?
   [SOP 98-3, par. 10.32]

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With GAS

4. Does the report on compliance and on internal control over financial reporting conform to the standard reports illustrated in Examples 2 and 2a in SOP 98-3?
   [SOP 98-3, App. D]

5. Does the report contain the following elements:
   a. A statement that the auditor has audited the financial statements of the auditee and a reference to the auditor's report on the financial statements, including a description of any departure from the standard report (for example, a qualified opinion, a modification as to consistency because of a change in accounting principle, or a reference to the report of other auditors)?
   [SOP 98-3, par. 10.39 and App. D, Ex. 2, fn. 14]

   b. A statement that the audit was conducted in accordance with GAAS and with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States?

   c. A statement that as part of obtaining reasonable assurance about whether the auditee's financial statements are free of material misstatement, the auditor performed tests of the auditee's compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts?

   d. A statement that providing an opinion on compliance with those provisions was not an objective of the audit and that, accordingly, the auditor does not express such an opinion?

² GAS must be referenced when the report on the financial statements is submitted to comply with a legal, regulatory, or contractual requirement for an audit in accordance with GAS.
e. A statement that notes whether the results of tests disclosed instances of noncompliance that are required to be reported under GAS and, if they are, describes the instances of noncompliance or refers to the schedule of findings and questioned costs in which they are described?

f. If applicable, a statement that certain immaterial instances of noncompliance were communicated to management in a separate letter?

g. A statement that in planning and performing the audit, the auditor considered the auditee’s internal control over financial reporting in order to determine the auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting?

h. If applicable, a statement that reportable conditions were noted and the definition of a reportable condition?

i. If no reportable conditions are noted, a statement that the auditor’s consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses; if reportable conditions are noted, a statement that the auditor’s consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses?

j. If applicable, a description of reportable conditions noted or a reference to the schedule of findings and questioned costs in which the reportable conditions are described?

k. The definition of a material weakness?

l. If applicable, a statement about whether the auditor believes any of the reportable conditions noted are material weaknesses, and, if they are, describes the material weaknesses noted or refers to the schedule of findings and questioned costs in which they are described? (If there are no reportable conditions, a statement should be made that no material weaknesses were noted.)

m. If applicable, a statement that other matters involving the internal control over financial reporting were communicated to management in a separate letter?

n. A separate paragraph at the end of the report stating that the report is intended solely for the information and use of the audit committee, management, specified legislative or regulatory bodies, federal awarding agencies, and (if applicable) pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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3 For an audit that is not subject to Circular A-133 (that is, in accordance with GAS only), any reportable instances of noncompliance, reportable conditions, and material weaknesses can either be described in the body of the report or the report can refer to a separate schedule that summarizes the findings noted. For an audit in accordance with Circular A-133, all findings, including those required to be reported under GAS, must be included in the schedule of findings and questioned costs. [SOP 98-3, Ch. 10, fn. 14]

4 See footnote 3.

5 See footnote 3.

6 For an audit that is not subject to Circular A-133 (that is, in accordance with GAS only), the reference to federal awarding agencies and pass-through entities should be deleted.

* This paragraph conforms to SAS 87, Restricting the Use of an Auditor’s Report (AU 532). See SAS 87 for additional guidance on restricted-use reports.
6. If a material component unit or fund of the reporting entity is not required to have a GAS audit, has the scope paragraph of the report on compliance and on internal control over financial reporting been modified to indicate the portion of the reporting entity that was not audited in accordance with GAS? [SOP 98-3, par. 10.33]

7. Do the reported instances of noncompliance include all instances of fraud and illegal acts (unless clearly inconsequential) and other noncompliance that is material to the financial statements? [GAS, Ch. 5, par. 18; SOP 98-3, par. 10.21]

8. If the report contains material instances of noncompliance or fraud and illegal acts that are not clearly inconsequential, is the effect of such instances on the auditor's report on the financial statements considered? [AAG-SLG, pars. 5.44 and 5.46]

9. Do the findings presented in or referred to from the report include all essential elements, including information to place the finding in proper perspective, condition, cause, criteria, effect, and the views of responsible officials? [GAS, Ch. 5, par. 19 and fn. 5; SOP 98-3, pars. 10.58-10.61]

10. Does the report disclose the status of known but uncorrected material findings and recommendations from prior audits that could have affected the current financial statement audit? [GAS, Ch. 4, par. 10; SOP 98-3, par. 10.62]

11. Does the report carry the same date as the report on the financial statements? [SOP 98-3, par. 10.50]

12. If a material component unit or fund of the reporting entity is not required to have a GAS audit, has the scope paragraph of the report been modified to indicate the portion of the reporting entity that was not audited in accordance with GAS? [SOP 98-3, par. 10.33]

Other Matters

13. Are instances of fraud and illegal acts communicated directly to outside parties if such reporting is required by law or regulation or involves financial assistance received directly or indirectly from a government agency? [GAS, Ch. 5, pars. 21–25; SOP 98-3, pars. 10.23–10.25]

14. If the audit disclosed immaterial instances of noncompliance or deficiencies in internal control were not considered reportable conditions (referred to as "nonreportable conditions"), are those matters communicated to the entity in writing (or orally, with working paper documentation)? [GAS, Ch. 5, pars. 20 and 28; SOP 98-3, pars. 10.22 and 10.29]
15. Has the auditor communicated the following information—in writing (orally with working paper documentation)—to the audit committee or to the individuals with whom they have contracted for the audit:

   a. The auditor’s responsibilities in a financial statement audit, including his or her responsibilities for testing and reporting on internal control and compliance with laws and regulations? __ __ __

   b. The nature of any additional testing of internal controls and compliance required by laws and regulations? __ __ __

   c. A contrasting of the information in Steps a. and b. above with other financial related audits of internal control and compliance? [GAS, Ch. 5, pars. 5-10; SOP 98-3, pars. 3.19 and 3.20] __ __ __

Part II—Reports on Audits Performed Under OMB Circular A-133

1. If the entity is subject to the requirements of Circular A-133, are the following reports (in addition to those in Part I of this checklist) issued:

   a. A report on the supplementary schedule of federal financial assistance? __ __ __

   b. A report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with Circular A-133? __ __ __

   c. A schedule of findings and questioned costs? [SOP 98-3, par. 10.8] __ __ __

Report on the Supplementary Schedule of Expenditures of Federal Awards (“Schedule”)

2. Is the report on the Schedule (a) included in the auditors’ report on the financial statements, (b) included in the report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with Circular A-133, or (c) issued as a stand-alone report? [SOP 98-3, pars. 10.36, 10.47, and 10.52] __ __ __

3. If the report on the financial statements refers to the work of other auditors, has the auditor considered the need to refer to the major federal programs audited by other auditors in the report on the Schedule? [SOP 98-3, par. 3.44] __ __ __

4. If the report on the Schedule is issued as a stand-alone report, is the guidance of SAS 58 (AU 508) followed in issuing that report? [SOP 98-3, par. 10.52] __ __ __

5. If the report on the Schedule is included in the auditors’ report on the financial statements or in the report on compliance and on internal control over compliance, does it:

   a. Conform to the standard reports illustrated in Example 1, Example 3 (footnote 34), or Example 3a (footnote 40) of SOP 98-3? [SOP 98-3, pars. 10.36 and 10.37 and App. D] __ __ __
b. Contain a statement that the Schedule is presented for purposes of additional analysis and is not a required part of the financial statements?

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c. Contain an opinion on whether the Schedule is fairly stated in all material respects in relation to the financial statements taken as a whole?

[SOP 98-3, par. 10.35]

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d. Carry the same date as the report on the financial statements, even if that requires a dual date on the report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with Circular A-133?

[SOP 98-3, pars. 10.50 and 10.52]

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Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With Circular A-133

6. Does the report conform to the standard reports illustrated in Examples 3–5 of SOP 98-3?

[SOP 98-3, App. D]

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7. Does the report contain the following elements:

a. A statement that the auditor has audited the compliance of the auditee with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that are applicable to each of its major programs?

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b. A statement that the auditee’s major programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs?

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c. A statement that compliance with the requirements of laws, regulations, contracts, and grants applicable to each of the auditee’s major federal programs is the responsibility of the auditee’s management, and that the auditor’s responsibility is to express an opinion on the auditee’s compliance based on the audit?

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d. A statement that the audit of compliance was conducted in accordance with GAAS, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and A-133?

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e. A statement that those standards and A-133 require that the auditor plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements that could have a direct and material effect on a major federal program occurred?

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f. A statement that an audit includes the examining, on a test basis, evidence about the auditee’s compliance with those requirements and performing such other procedures as the auditor considered necessary in the circumstances?

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g. A statement that the auditor believes that the audit provides a reasonable basis for the auditor’s opinion?

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h. A statement that the audit does not provide a legal determination on the auditee’s compliance with those requirements?

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i. If instances of noncompliance are noted that result in an opinion modification, a reference to a description in the accompanying schedule of findings and questioned costs, including:

1. The reference number(s) of the finding(s)?

2. An identification of the type(s) of compliance requirements and related major program(s)?

3. A statement that compliance with such requirements is necessary, in the auditor's opinion, for the auditee to comply with requirements applicable to the program(s)?

j. An opinion on whether the auditee complied, in all material respects, with the types of compliance requirements that are applicable to each of its major federal programs?

k. If applicable, a statement that the results of the auditing procedures disclosed instances of noncompliance that are required to be reported in accordance with A-133 and a reference to the schedule of findings and questioned costs in which they are described?

l. A statement that the auditee's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs?

m. A statement that in planning and performing the audit, the auditor considered the auditee's internal control over compliance with requirements that could have a direct and material effect on a major federal program, to determine the auditing procedures for the purpose of expressing an opinion on compliance and to test and report on the internal control over compliance in accordance with A-133?

n. If applicable, a statement that reportable conditions were noted and the definition of a reportable condition?

o. If applicable, a reference to a description of reportable conditions noted in the accompanying schedule of findings and questioned costs, including the reference number of the finding(s)?

p. If no reportable conditions are noted, a statement that the auditor's consideration of the internal control over compliance would not necessarily disclose all matters in internal control that might be material weaknesses; if reportable conditions are noted, a statement that the auditor's consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses?

q. The definition of a material weakness?

r. If applicable, a statement about whether the auditor believes any of the reportable conditions noted are material weaknesses and, if they are, a reference to a description of the material weaknesses in the schedule of findings and questioned costs, including the reference number of the finding(s). If there are no reportable conditions, a statement is made that no material weaknesses were noted?
s. A separate paragraph at the end of the report stating that the report is intended solely for the information and use of the audit committee, management, specified legislative or regulatory bodies, federal awarding agencies, and (if applicable) pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.*

8. If the audit of the entity’s compliance with requirements applicable to major programs detects material instances of noncompliance with those requirements, does the auditors’ report express a qualified or adverse opinion? [SOP 98-3, par. 10.46]  

9. Have scope limitations on the auditor’s testing of an auditee’s compliance with laws, regulations, and the provisions of contracts or grant agreements been considered in the opinion on compliance with requirements applicable to each major program? [SOP 98-3, pars. 10.43–10.45]  

10. Have the cumulative effects of all instances of noncompliance with federal programs and scope limitations been considered in the opinion on the financial statements? [SOP 98-3, pars. 10.42 and 10.43]  

11. Does the report not refer to a management letter with findings that are not required to be reported in the schedule of findings and questioned costs? [SOP 98-3, par. 10.48]  

12. Is the report dated the same as or later than the date of the auditors’ report on the financial statements? [SOP 98-3, par. 10.51]  

13. If the report is dated later than the date of the auditors’ reports on the financial statements, have appropriate subsequent events procedures been performed? [SOP 98-3, par. 10.51]  

14. If the audit of federal awards did not encompass the entirety of the auditee’s operations expending federal awards, are the operations that are not included identified in a separate paragraph following the first paragraph of the report? [SOP 98-3, par. 10.54]  

15. If the report on the financial statements refers to the work of other auditors, has the auditor considered the need to refer to the major federal programs audited by other auditors in this report on compliance and on internal control over compliance? [SOP 98-3, par. 3.44]  

Schedule of Findings and Questioned Costs  

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* This paragraph conform to SAS 87, Restricting the Use of an Auditor’s Report (AU 532). See SAS 87 for additional guidance on restricted-use reports.
17. Is the report presented even if there are no findings to report?
[SOP 98-3, par. 10.66]

18. Does the report contain the following three sections:
   a. A summary of the auditor’s results?

   b. Findings related to the financial statements that are required to be reported in accordance with GAS?

   c. Findings and questioned costs for federal awards?
   [SOP 98-3, par. 10.55]

19. Does the summary of auditor’s result include:
   a. The type of report the auditor issued on the financial statements (that is, unqualified opinion, qualified opinion, adverse opinion, or disclaimer of opinion)?

   b. Where applicable, a statement that reportable conditions in internal control were disclosed by the audit of the financial statements and whether any such conditions were material weaknesses?

   c. A statement on whether the audit disclosed any noncompliance that is material to the financial statements?

   d. Where applicable, a statement that reportable conditions in internal control over major programs were disclosed by the audit and whether any such conditions were material weaknesses relative to internal control over major programs?

   e. The type of report the auditor issued on compliance for major programs (that is, unqualified opinion, qualified opinion, adverse opinion, or disclaimer of opinion)?

   f. A statement as to whether the audit disclosed any audit findings that the auditor is required to report under A-133? (See Step 23 below.)

   g. An identification of major programs?

   h. The dollar threshold used to distinguish between Type A and Type B programs?

   i. A statement as to whether the auditee qualified as a low-risk auditee?
   [SOP 98-3, par. 10.56a]

20. Are audit findings that relate to the same issue presented as a single audit finding?
[SOP 98-3, par. 10.56c]

21. If audit findings relate to both the financial statements and the federal awards, are they reported in both sections of the schedule (one in summary form with a reference to the detailed finding in the other section)?
[SOP 98-3, par. 10.56c]

22. Are the following reported as audit findings related to federal awards: including:
   a. Reportable conditions and material weaknesses in internal control over major programs?

   b. Material noncompliance relating to a major program?
c. Known and likely questioned costs that are greater than $10,000 for a type of compliance requirement for a major program? __ No N/A

d. Known questioned costs that are greater than $10,000 for a federal program that is not audited as a major program? __ No N/A

e. The circumstances concerning why the report on compliance for major programs is other than an unqualified opinion? __ No N/A

f. Known fraud affecting a federal award? (An audit finding is not required if the fraud was reported outside the entity as required by GAS.) __ No N/A

g. Instances of material misrepresentation by the auditee of the status of any prior audit findings? [SOP 98-3, par. 10.63] __ No N/A

23. Does the audit finding detail include, as applicable:

a. A reference number? __ No N/A

b. Identification of the federal program and award, including CFDA title and number, federal award number and year, name of federal agency, and name of pass-through entity?8 __ No N/A

c. The criteria or specific requirement upon which the audit finding is based, including the statutory, regulatory, or other citation? __ No N/A

d. The condition found, including facts that support the deficiency identified? __ No N/A

e. Identification of questioned costs and how they were computed? __ No N/A

f. Information to put the finding in proper perspective for judging the prevalence and consequences of audit findings?9 __ No N/A

g. The possible asserted effect of the condition? __ No N/A

h. Recommendations to prevent future occurrence of the deficiency? __ No N/A

i. Views of responsible officials of the auditee when there is disagreement with the audit finding, to the extent practical?10 __ No N/A

j. If the auditor disagrees with the auditee's position concerning a finding, a statement of his or her reasons for rejecting it? [SOP 98-3, pars. 10.64 and 10.65] __ No N/A

Data Collection Form

24. Has the auditor completed Part I, item 7, and Parts II and III of the data collection form? [SOP 98-3, par. 10.72] __ No N/A

25. Has the auditor signed the form and dated it as of the date on which he or she completes and signs the form? [SOP 98-3, par. 10.72] __ No N/A

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8 When information such as the CFDA title and number or federal award number is not available, the auditor should provide the best information available to describe the federal award.

9 Where appropriate the instances identified should be related to the universe and the number of cases examined and be quantified in terms of the dollar value.

10 If the auditee’s corrective action plan is available and contains the views of the responsible officials, the auditor can indicate in the finding that the auditee disagreed with the finding and refer to the details of the auditee’s position in the plan.
26. Are the following areas of the data collection form properly addressed:
   
   a. In Part III, question 5, are only those federal agencies affected by audit findings identified as needing to receive a copy of the reporting package?  
      [Yes | No | N/A]
   
   b. In Part III, question 5, if no findings were required to be reported under section 510(a) of Circular A-133 (part III, question 4) and the summary schedule of prior audit findings does not report the status of any audit findings relating to federal awards, the box “none” is checked to indicate that no federal agencies are required to receive a copy of the reporting package?  
      [Yes | No | N/A]
   
   c. Part III, question 7, is completed in its entirety for every single audit, regardless of whether findings and questioned costs were noted?  
      [Yes | No | N/A]
   
   d. In Part III, question 7, the only types of compliance requirements that are listed are those requirements with audit findings associated with them? (If no findings were noted, the auditor should complete this section with the letter O.)  
      [Yes | No | N/A]
   
   e. In Part I, question 9, only one federal agency is identified as the cognizant or oversight agency for audit? (This should not be a pass-through entity.)  
      [Yes | No | N/A]
   
   f. In Part III, question 2, the dollar threshold used to distinguish between type A and type B programs is no less than $300,000?  
      [Yes | No | N/A]
   
   g. In Part III, question 6, an appropriate number is included in the field for CFDA number—either a CFDA number or the first two digits of the CFDA number assigned to the federal awarding agency (that are followed by “.RD” for research and development programs)?  
      [Yes | No | N/A]

   [ARA-SLG, pages 13-16]

Program-Specific Audits

27. In a program-specific audit performed in accordance with A-133, are the following reports issued:

   a. A report on the financial statement(s) of the federal program?  
      [Yes | No | N/A]
   
   b. A report on compliance with requirements applicable to the federal program and on the internal control over compliance in accordance with the program-specific audit option under Circular A-133?  
      [Yes | No | N/A]
   
   c. A schedule of findings and questions costs for the federal program?  
      [Yes | No | N/A]

28. Do the reports on the financial statements and on compliance and on internal control over compliance for a program-specific audit conform to the standard reports illustrated in Examples 6 and 6a in SOP 98-3?  
   [Yes | No | N/A]

   [SOP 98-3, App. D]

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11 If the financial statement(s) of the program only present the activity of the federal program, the auditor is not required to issue a separate report to meet the financial reporting requirements of GAS. This is because, in many cases, by definition the financial statements of the program consist only of the schedule of expenditures of federal awards. See the further discussion in paragraph 11.10 of SOP 98-3.
FSP Section 13,600

Illustrative Financial Statements and Auditors’ Reports

Illustrative Financial Statements

.01 The following illustrative financial statements, including notes to the financial statements, do not address all possible financial statement presentation and disclosure issues. Many of these financial statements have been adapted from financial statements presented in the Codification of Governmental Accounting and Financial Reporting, as of June 30, 1997.

.02 According to the Codification (primarily GASB Cod. Sec. 2200.138), the following are necessary for a government’s general purpose financial statements (GPFS) to be presented fairly in conformity with generally accepted accounting principles (GAAP):

- Combined Balance Sheet—All Fund Types, Account Groups, and Discretely Presented Component Units
- Combined Statement of Revenues, Expenditures, and Changes in Fund Equity—All Governmental Fund Types, Expendable Trust Funds, and Discretely Presented Component Units
- 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, Similar Trust Funds, and Discretely Presented Component Units
- Combined Statement of Cash Flows—All Proprietary Fund Types, Nonexpendable Trust Funds, and Discretely Presented Component Units
- Notes to the financial statements
- Required supplementary information

.03 In addition, GAAP require certain pension plan financial statements. GAAP also permit component unit financial statements to be presented in the GPFS in lieu of certain note disclosures. Such financial statements are illustrated in the following GPFS.

.04 If a government presents a Comprehensive Annual Financial Report (CAFR), additional individual fund and combining financial statements are required. The illustrative financial statements that follow the note disclosures include some such statements, but they are not a complete presentation of the financial statements required for a CAFR.

Illustrative Auditors’ Reports

.05 The auditors’ reports included in this section are taken from SOP 98-3, which includes guidance on the Single Audit Act Amendments of 1996 and the June 1997 revision of OMB Circular A-133 and considers the guidance of the 1994 revision to the Government Accounting Office’s Government Auditing Standards.
Illustrative auditors' reports related to an audit of the financial statements in accordance with generally accepted auditing standards are included in Appendix A of the AICPA Audit and Accounting Guide *Audits of State and Local Governmental Units* (with conforming changes as of May 1, 1999).
Combined Balance Sheet—All Fund Types and Account Groups and Discretely Presented Component Units
December 31, 19X8

<table>
<thead>
<tr>
<th>Assets</th>
<th>Governmental Fund Types</th>
<th>Proprietary Fund Types</th>
<th>Fiduciary Fund Types</th>
<th>Account Groups</th>
<th>Totals (Memorandum Only)</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>Enterprise</td>
<td>Internal Service</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
</tr>
<tr>
<td>Cash with fiscal agent</td>
<td>—</td>
<td>—</td>
<td>—</td>
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<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Investments</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Receivables (net of allowances for uncollectibles):</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
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<td>—</td>
</tr>
<tr>
<td>Accounts</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
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<td>—</td>
</tr>
<tr>
<td>Special assessments</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>XXX,XXX</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Notes</td>
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<td>—</td>
<td>—</td>
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<tr>
<td>Loans</td>
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<td>—</td>
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<td>—</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>XX</td>
<td>XX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Lease receivable from primary government</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
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<tr>
<td>Due from other funds</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Due from component units</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Due from other governments</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Advance to internal service fund</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Inventory of supplies, at cost</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>XXX,XXX</td>
<td>—</td>
</tr>
</tbody>
</table>

(continued)
Combined Balance Sheet—All Fund Types and Account Groups  
and Discretely Presented Component Units—continued  
December 31, 19X8

<table>
<thead>
<tr>
<th>Restricted assets:</th>
<th>General Fund Types</th>
<th>Proprietary Fund Types</th>
<th>Fiduciary Fund Types</th>
<th>Account Groups</th>
<th>Totals (Memorandum Only)</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>Enterprise</td>
<td>Internal Service</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Investments</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Investment in joint venture</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Land</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Buildings</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Improvements other than buildings</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>-</td>
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<tr>
<td>Accumulated depreciation</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Amount available in debt service funds</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Amount to be provided for</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>retirement of general long-term debt</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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</tr>
<tr>
<td>Amount to be provided from special</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>assessments</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total assets</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
<td>$X,XXX,XXX</td>
<td>$X,XXX,XXX</td>
<td>$X,XXX,XXX</td>
</tr>
</tbody>
</table>

(continued)
Combined Balance Sheet—All Fund Types and Account Groups
and Discretely Presented Component Units—continued
December 31, 19X8

<table>
<thead>
<tr>
<th>Liabilities and Fund Equity</th>
<th>General</th>
<th>Special</th>
<th>Revenue</th>
<th>Debt</th>
<th>Service</th>
<th>Capital</th>
<th>Projects</th>
<th>Enterprise</th>
<th>Internal</th>
<th>Service</th>
<th>Trust and Agency</th>
<th>General</th>
<th>Fixed Assets</th>
<th>Long-Term Debt</th>
<th>Primary</th>
<th>Government</th>
<th>Component</th>
<th>Units</th>
<th>Reporting</th>
<th>Entity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vouchers payable</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
<td>$ --</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
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<tr>
<td>Contracts payable</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
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<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
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<tr>
<td>Judgments payable</td>
<td>--</td>
<td>X,XXX</td>
<td>--</td>
<td>XX,XXX</td>
<td>--</td>
<td>XX,XXX</td>
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</tr>
<tr>
<td>Accrued liabilities</td>
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<tr>
<td>Obligations under reverse</td>
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<tr>
<td>repurchase agreements</td>
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<td>Payable from restricted assets:</td>
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<tr>
<td>Construction contracts</td>
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<td>--</td>
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<td>XX,XXX</td>
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<tr>
<td>Fiscal agent</td>
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</tr>
<tr>
<td>Accrued interest</td>
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<tr>
<td>Revenue bonds</td>
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<tr>
<td>Revenue bonds payable</td>
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</tr>
<tr>
<td>Total liabilities</td>
<td>$XXX,XXX</td>
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</tbody>
</table>

(continued)
## Combined Balance Sheet—All Fund Types and Account Groups and Discretely Presented Component Units—continued

December 31, 19X8

<table>
<thead>
<tr>
<th>Governmental Fund Types</th>
<th>Proprietary Fund Types</th>
<th>Fiduciary Fund Types</th>
<th>Account Groups</th>
<th>Totals (Memorandum Only)</th>
<th>Totals (Memorandum Only)</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>Special Revenue</td>
<td>Debt Service</td>
<td>Capital Projects</td>
<td>Enterprise</td>
<td>Internal Service</td>
</tr>
<tr>
<td>Fund Equity</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Investment in general fixed assets</td>
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<tr>
<td>Contributed capital</td>
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</tr>
<tr>
<td>Investment in general fixed assets</td>
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<tr>
<td>Retained earnings:</td>
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<tr>
<td>Reserved for revenue bond retirement</td>
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<td>Unreserved</td>
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<tr>
<td>Fund balances:</td>
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<tr>
<td>Reserved for encumbrances</td>
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<tr>
<td>Reserved for inventory of supplies</td>
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<tr>
<td>Reserved for advance to internal service funds</td>
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<td>Reserved for loans</td>
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<tr>
<td>Reserved for endowments</td>
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<td>Reserved for employees' pension benefits (A schedule of funding progress is in paragraph .17)</td>
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<tr>
<td>Unreserved:</td>
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<tr>
<td>Designated for debt service</td>
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<tr>
<td>Designated for subsequent years' expenditures</td>
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<td>Undesignated</td>
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<td>Total fund equity</td>
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<tr>
<td>Total liabilities and fund equity</td>
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</tr>
</tbody>
</table>

The notes to the financial statements are an integral part of this statement. [Adapted from NCGA 1, App. A, Example 1, as amended by GASB 14; GASB 6, par. 13]
NAME OF GOVERNMENT

Combined Statement of Revenues, Expenditures, and
Changes in Fund Equity—All Governmental Fund Types, Expendable
Trust Funds, and Discretely Presented Component Units

Year Ended December 31, 19X8

<table>
<thead>
<tr>
<th>Revenues:</th>
<th>Governmental Fund Types</th>
<th>Fiduciary Fund Types</th>
<th>Totals (Memorandum Only)</th>
<th>Totals (Memorandum Only)</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>General</td>
<td>Special Revenue</td>
<td>Debt Service</td>
<td>Expendable Projects</td>
</tr>
<tr>
<td>Taxes</td>
<td>$ XXX,XXX</td>
<td>$ XXX,XXX</td>
<td>$ XXX,XXX</td>
<td>$ —</td>
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<tr>
<td>Special assessments</td>
<td>—</td>
<td>—</td>
<td>XXX,XXX</td>
<td>—</td>
</tr>
<tr>
<td>Licenses and permits</td>
<td>XXX,XXX</td>
<td>—</td>
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</tr>
<tr>
<td>Intergovernmental revenues</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
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<tr>
<td>Charges for services</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>—</td>
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</tr>
<tr>
<td>Fines and forfeits</td>
<td>XXX,XXX</td>
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</tr>
<tr>
<td>Miscellaneous revenues</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
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</tr>
<tr>
<td>Total revenues</td>
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<td>XXX,XXX</td>
<td>XXX,XXX</td>
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<td>Expenditures:</td>
<td>Governmental Fund Types</td>
<td>Fiduciary Fund Types</td>
<td>Totals (Memorandum Only)</td>
<td>Totals (Memorandum Only)</td>
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<td>Debt Service</td>
<td>Expendable Projects</td>
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<td>Public safety</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
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<tr>
<td>Highways and streets</td>
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<td>XXX,XXX</td>
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<td>Sanitation</td>
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<tr>
<td>Health</td>
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<td>XXX,XXX</td>
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<td>Debt service:</td>
<td>General</td>
<td>Special Revenue</td>
<td>Debt Service</td>
<td>Expendable Projects</td>
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<td>Principal retirement</td>
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<td>Interest and fiscal charges</td>
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<tr>
<td>Total expenditures</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Excess of Revenues over (under)</td>
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</table>

(continued)
NAME OF GOVERNMENT

Combined Statement of Revenues, Expenditures, and Changes in Fund Equity—
All Governmental Fund Types, Expendable Trust Funds, and
Discretely Presented Component Units—continued

Year Ended December 31, 19X8

<table>
<thead>
<tr>
<th>Other financing sources (uses):</th>
<th>Governmental Fund Types</th>
<th>Fiduciary Fund Types</th>
<th>Totals (Memorandum Only)</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>
</tr>
<tr>
<td>Proceeds of general obligation bonds</td>
<td>—</td>
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<td>—</td>
<td>XXX,XXX</td>
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<tr>
<td>Proceeds of special assessment debt</td>
<td>—</td>
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<td>XXX,XXX</td>
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<tr>
<td>Operating transfers in</td>
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<td>Operating transfers out</td>
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<tr>
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<tr>
<td>Operating transfers to component units</td>
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<td>(XXX,XXX)</td>
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<tr>
<td>Total Other Financing Sources (Uses)</td>
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<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
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<td>Net Income from Golf Course Operations</td>
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<td>Fund Equity—January 1</td>
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<td>XXX,XXX</td>
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<tr>
<td>Fund Equity—December 31</td>
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<td>XXX,XXX</td>
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</table>

The notes to the financial statements are an integral part of this statement. [Adapted from NCGA 1, App. A, Example 2, as amended by GASB 14, GASB 6, par. 13]
NAME OF GOVERNMENT

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

Year Ended December 31, 19X8

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<th>Revenues:</th>
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<th>Special Revenue Fund Types</th>
<th>Totals (Memorandum Only)</th>
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<td>Variance—favorable (unfavorable)</td>
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<td>$ XXX,XXX $ (XXX)</td>
<td>$ XXX,XXX $ XXX,XXX $ (XXX)</td>
</tr>
<tr>
<td>Licenses and permits</td>
<td>XXX,XXX XXX,XXX (XXX)</td>
<td>— — —</td>
<td>XXX,XXX XXX,XXX (XXX)</td>
</tr>
<tr>
<td>Intergovernmental revenues</td>
<td>XXX,XXX XXX,XXX (XXX)</td>
<td>XXX,XXX XXX,XXX (XXX)</td>
<td>XXX,XXX XXX,XXX (XXX)</td>
</tr>
<tr>
<td>Charges for services</td>
<td>XXX,XXX XXX,XXX XXX,XXX</td>
<td>XXX,XXX XXX,XXX XXX,XXX</td>
<td>XXX,XXX XXX,XXX XXX,XXX</td>
</tr>
<tr>
<td>Fines and forfeits</td>
<td>XXX,XXX XXX,XXX XXX,XXX</td>
<td>— — —</td>
<td>XXX,XXX XXX,XXX XXX,XXX</td>
</tr>
<tr>
<td>Miscellaneous revenues</td>
<td>XXX,XXX XXX,XXX XXX,XXX</td>
<td>— — —</td>
<td>XXX,XXX XXX,XXX XXX,XXX</td>
</tr>
<tr>
<td>Total revenues</td>
<td>XXX,XXX XXX,XXX XXX,XXX (XXX)</td>
<td>XXX,XXX XXX,XXX XXX,XXX (XXX)</td>
<td>XXX,XXX XXX,XXX XXX,XXX (XXX)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenditures:</th>
<th>General Fund</th>
<th>Special Revenue Fund Types</th>
<th>Totals (Memorandum Only)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General government</td>
<td>XXX,XXX XXX,XXX XXX,XXX</td>
<td>— — —</td>
<td>XXX,XXX XXX,XXX XXX,XXX</td>
</tr>
<tr>
<td>Public safety</td>
<td>XXX,XXX XXX,XXX XXX,XXX</td>
<td>XXX,XXX XXX,XXX XXX,XXX</td>
<td>XXX,XXX XXX,XXX XXX,XXX</td>
</tr>
<tr>
<td>Highways and streets</td>
<td>XXX,XXX XXX,XXX (XXX)</td>
<td>XXX,XXX XXX,XXX XXX,XXX</td>
<td>XXX,XXX XXX,XXX XXX,XXX</td>
</tr>
<tr>
<td>Sanitation</td>
<td>XXX,XXX XXX,XXX (XXX)</td>
<td>— — —</td>
<td>XXX,XXX XXX,XXX XXX,XXX</td>
</tr>
<tr>
<td>Health</td>
<td>XXX,XXX XXX,XXX XXX,XXX</td>
<td>— — —</td>
<td>XXX,XXX XXX,XXX XXX,XXX</td>
</tr>
<tr>
<td>Welfare</td>
<td>XXX,XXX XXX,XXX XXX,XXX</td>
<td>— — —</td>
<td>XXX,XXX XXX,XXX XXX,XXX</td>
</tr>
<tr>
<td>Culture and recreation</td>
<td>XXX,XXX XXX,XXX XXX,XXX</td>
<td>XXX,XXX XXX,XXX XXX,XXX</td>
<td>XXX,XXX XXX,XXX XXX,XXX</td>
</tr>
<tr>
<td>Education</td>
<td>XXX,XXX XXX,XXX XXX,XXX</td>
<td>— — —</td>
<td>XXX,XXX XXX,XXX XXX,XXX</td>
</tr>
<tr>
<td>Total expenditures</td>
<td>XXX,XXX XXX,XXX XXX,XXX</td>
<td>XXX,XXX XXX,XXX XXX,XXX</td>
<td>XXX,XXX XXX,XXX XXX,XXX</td>
</tr>
<tr>
<td>Excess of Revenues over (under) Expenditures</td>
<td>XXX,XXX XXX,XXX XXX,XXX</td>
<td>XXX,XXX XXX,XXX XXX,XXX</td>
<td>XXX,XXX XXX,XXX XXX,XXX</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other Financing Sources (Uses):</th>
<th>General Fund</th>
<th>Special Revenue Fund Types</th>
<th>Totals (Memorandum Only)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating transfers out</td>
<td>(XXX) (XXX)</td>
<td>— — —</td>
<td>(XXX) (XXX) —</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fund Balances—January 1</th>
<th>General Fund</th>
<th>Special Revenue Fund Types</th>
<th>Totals (Memorandum Only)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund Balances—December 31</td>
<td>$ XXX,XXX $ XXX,XXX</td>
<td>$ XXX,XXX $ XXX,XXX</td>
<td>$ XXX,XXX $ XXX,XXX</td>
</tr>
</tbody>
</table>

The notes to the financial statements are an integral part of this statement. [Adapted from NCGA 1, App. A, Example 3, as amended by GASB 14]
<table>
<thead>
<tr>
<th>Operating revenues:</th>
<th>Proprietary Fund Types</th>
<th>Fiduciary Fund Types</th>
<th>Totals (Memorandum Only)</th>
<th>Totals (Memorandum Only)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Enterprise</td>
<td>Internal Service</td>
<td>Nonexpendable Trust</td>
<td>Primary Government</td>
</tr>
<tr>
<td>Charge for services</td>
<td>$XXXX,XXX</td>
<td>$XXXX</td>
<td>$—</td>
<td>$XXXX,XXX</td>
</tr>
<tr>
<td>Investment income</td>
<td>—</td>
<td>—</td>
<td>X,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Gifts</td>
<td>—</td>
<td>—</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Total operating revenues</td>
<td>XXX,XXX</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XXX,XXX</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operating expenses:</th>
<th>Proprietary Fund Types</th>
<th>Fiduciary Fund Types</th>
<th>Totals (Memorandum Only)</th>
<th>Totals (Memorandum Only)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Enterprise</td>
<td>Internal Service</td>
<td>Nonexpendable Trust</td>
<td>Primary Government</td>
</tr>
<tr>
<td>Personal services</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>—</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Contractual services</td>
<td>XXX,XXX</td>
<td>XXX</td>
<td>—</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Supplies</td>
<td>XXX,XXX</td>
<td>X,XXX</td>
<td>—</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Materials</td>
<td>XXX,XXX</td>
<td>X,XXX</td>
<td>—</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Heat, light, and power</td>
<td>XXX,XXX</td>
<td>X,XXX</td>
<td>—</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Depreciation</td>
<td>XXX,XXX</td>
<td>X,XXX</td>
<td>—</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>XXX,XXX</td>
<td>XX,XXX</td>
<td>—</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Operating Income (Loss)</td>
<td>XXX,XXX</td>
<td>X,XXX</td>
<td>XX,XXX</td>
<td>XXX,XXX</td>
</tr>
</tbody>
</table>
NAME OF GOVERNMENT

Combined Statement of Revenues, Expenses, and Changes in Fund Equity—
All Proprietary Fund Types, Similar Trust Funds,
and Discretely Presented Component Units—continued

For the Fiscal Year Ended December 31, 19X8

<table>
<thead>
<tr>
<th>Nonoperating Revenues (Expenses):</th>
<th>Proprietary Fund Types</th>
<th>Fiduciary Fund Types</th>
<th>Totals (Memorandum Only)</th>
<th>Totals (Memorandum Only)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Enterprise</td>
<td>Internal Service</td>
<td>Nonexpendable Trust</td>
<td>Primary Government</td>
</tr>
<tr>
<td>Operating grants</td>
<td>XX,XXX</td>
<td>-</td>
<td>-</td>
<td>XXXX</td>
</tr>
<tr>
<td>Net income from joint venture</td>
<td>XXX,XXX</td>
<td>-</td>
<td>-</td>
<td>XXXX</td>
</tr>
<tr>
<td>Investment income</td>
<td>XXXX</td>
<td>-</td>
<td>-</td>
<td>XXXX</td>
</tr>
<tr>
<td>Rent</td>
<td>X,XXX</td>
<td>-</td>
<td>-</td>
<td>X,XXX</td>
</tr>
<tr>
<td>Interest expense and fiscal charges</td>
<td>(XXX,XXX)</td>
<td>-</td>
<td>-</td>
<td>(XXX,XXX)</td>
</tr>
<tr>
<td>Tax revenues</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>XXXXXXX</td>
</tr>
<tr>
<td>Total Nonoperating Revenues</td>
<td>XXX,XXX</td>
<td>-</td>
<td>-</td>
<td>XXXX</td>
</tr>
<tr>
<td>Income (Loss) before Operating Transfers</td>
<td>XXX,XXX</td>
<td>X,XXX</td>
<td>X,XXX</td>
<td>XXXX</td>
</tr>
<tr>
<td>Operating Transfers In (Out)</td>
<td>-</td>
<td>-</td>
<td>(X,XXX)</td>
<td>(X,XXX)</td>
</tr>
<tr>
<td>Operating Transfers from primary government</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net income</td>
<td>XXX,XXX</td>
<td>X,XXX</td>
<td>X,XXX</td>
<td>XXXX</td>
</tr>
</tbody>
</table>

Fund Equity—January 1

<table>
<thead>
<tr>
<th></th>
<th>Proprietary Fund Types</th>
<th>Fiduciary Fund Types</th>
<th>Totals (Memorandum Only)</th>
<th>Totals (Memorandum Only)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund Equity—January 1</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Contributions—Capital Grants</td>
<td>XXX,XXX</td>
<td>-</td>
<td>XXX</td>
<td>XXX</td>
</tr>
<tr>
<td>Fund Equity—December 31</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
</tr>
</tbody>
</table>

The notes to the financial statements are an integral part of this statement. [Adapted from NCGA 1, App. A, Example 4, as amended by GASB 14, GASB 20, and GASB 25, par. 28]
NAME OF GOVERNMENT

Combined Statement of Cash Flows
All Proprietary Fund Types, Similar Trust Funds, and Discretely Presented Component Units
For the Fiscal Year Ended December 31, 19X8

<table>
<thead>
<tr>
<th>Cash flows from operating activities:</th>
<th>Proprietary Fund Types</th>
<th>Fiduciary Fund Types</th>
<th>Totals (Memorandum Only)</th>
<th>Totals (Memorandum Only)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Enterprise</td>
<td>Internal Service</td>
<td>Nonexpendable Trust</td>
<td>Primary Government</td>
</tr>
<tr>
<td>Operating income (loss)</td>
<td>XXX,XXX</td>
<td>X,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Adjustments to reconcile operating income to net cash provided by operating income</td>
<td>XXX,XXX</td>
<td>X,XXX</td>
<td>—</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>XXX,XXX</td>
<td>—</td>
<td>—</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Interest income</td>
<td>—</td>
<td>—</td>
<td>(XXX)</td>
<td>(XXX)</td>
</tr>
<tr>
<td>Unfunded pension costs</td>
<td>(XXX)</td>
<td>—</td>
<td>—</td>
<td>(XXX)</td>
</tr>
<tr>
<td>Provision for uncollectible accounts</td>
<td>XXX</td>
<td>—</td>
<td>—</td>
<td>XXX</td>
</tr>
<tr>
<td>Interest on lease receivable</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Rent receipts</td>
<td>XXXX</td>
<td>—</td>
<td>—</td>
<td>XXXX</td>
</tr>
<tr>
<td>Cash receipts on joint venture net income</td>
<td>XXXX</td>
<td>—</td>
<td>—</td>
<td>XXXX</td>
</tr>
<tr>
<td>(Increase) decrease in assets:</td>
<td>XXXX</td>
<td>—</td>
<td>—</td>
<td>(XXX)</td>
</tr>
<tr>
<td>Receivables</td>
<td>(XXX)</td>
<td>—</td>
<td>—</td>
<td>(XXX)</td>
</tr>
<tr>
<td>Due from other funds</td>
<td>XXX</td>
<td>(XXX)</td>
<td>—</td>
<td>XX</td>
</tr>
<tr>
<td>Inventory</td>
<td>(XXX)</td>
<td>XXX</td>
<td>—</td>
<td>(XX)</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>XXX</td>
<td>—</td>
<td>—</td>
<td>XXX</td>
</tr>
<tr>
<td>Increase (decrease) in liabilities:</td>
<td>XXXX</td>
<td>X,XXX</td>
<td>—</td>
<td>(XXX)</td>
</tr>
<tr>
<td>Vouchers payable</td>
<td>XXXX</td>
<td>—</td>
<td>—</td>
<td>(XXX)</td>
</tr>
<tr>
<td>Contracts payable (including from restricted assets)</td>
<td>XXXX</td>
<td>—</td>
<td>—</td>
<td>XXXX</td>
</tr>
<tr>
<td>Accrued liabilities</td>
<td>XXXX</td>
<td>—</td>
<td>—</td>
<td>XXXX</td>
</tr>
<tr>
<td>Deposits payable</td>
<td>(XXX)</td>
<td>—</td>
<td>—</td>
<td>XXXX</td>
</tr>
</tbody>
</table>

Net cash provided by operating activities

(continued)
### NAME OF GOVERNMENT

Combined Statement of Cash Flows
All Proprietary Fund Types, Similar Trust Funds, and Discretely Presented Component Units—continued

For the Fiscal Year Ended December 31, 19X8

<table>
<thead>
<tr>
<th>Cash flows from noncapital financing activities:</th>
<th>Proprietary Fund Types</th>
<th>Fiduciary Fund Types</th>
<th>Totals (Memorandum Only)</th>
<th>Totals (Memorandum Only)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating grants received</td>
<td>XXXXX</td>
<td>(XXX)</td>
<td>XXXXX</td>
<td>XXXXX</td>
</tr>
<tr>
<td>Payment on advance from general fund</td>
<td>—</td>
<td>(XXX)</td>
<td>(XXX)</td>
<td>(XXX)</td>
</tr>
<tr>
<td>Tax receipts</td>
<td>—</td>
<td>—</td>
<td>XXXXX</td>
<td>XXXXX</td>
</tr>
<tr>
<td>Operating transfers out</td>
<td>—</td>
<td>(XXX)</td>
<td>XXXXX</td>
<td>XXXXX</td>
</tr>
<tr>
<td>Operating transfers from primary government</td>
<td>—</td>
<td>—</td>
<td>XXXXX</td>
<td>XXXXX</td>
</tr>
<tr>
<td>Payment of amount due to primary government</td>
<td>—</td>
<td>—</td>
<td>XXXXX</td>
<td>XXXXX</td>
</tr>
<tr>
<td><strong>Net cash provided by (used for) noncapital financing activities</strong></td>
<td>XXXXX</td>
<td>(XXX)</td>
<td>XXXXX</td>
<td>XXXXX</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash flows from capital and related financing activities:</th>
<th>Proprietary Fund Types</th>
<th>Fiduciary Fund Types</th>
<th>Totals (Memorandum Only)</th>
<th>Totals (Memorandum Only)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal paid on bond debt</td>
<td>(XXX,XXX)</td>
<td>—</td>
<td>(XXX,XXX)</td>
<td>(XXX,XXX)</td>
</tr>
<tr>
<td>Interest and fiscal changes paid on bond debt</td>
<td>(XXX,XXX)</td>
<td>—</td>
<td>(XXX,XXX)</td>
<td>(XXX,XXX)</td>
</tr>
<tr>
<td>Payments to acquire, construct, or improve capital assets</td>
<td>(XXX,XXX)</td>
<td>(XXX,XXX)</td>
<td>(XXX,XXX)</td>
<td>(XXX,XXX)</td>
</tr>
<tr>
<td>Proceeds from sale of fixed assets</td>
<td>XXXXX</td>
<td>—</td>
<td>XXXXX</td>
<td>XXXXX</td>
</tr>
<tr>
<td>Capital lease payments received</td>
<td>—</td>
<td>—</td>
<td>XXXXX</td>
<td>XXXXX</td>
</tr>
<tr>
<td>Bond proceeds</td>
<td>XXXXX,XXX</td>
<td>—</td>
<td>XXXXX</td>
<td>XXXXX</td>
</tr>
<tr>
<td><strong>Net cash provided by (used for) capital and related financing activities</strong></td>
<td>XXXXX,XXX</td>
<td>—</td>
<td>XXXXX</td>
<td>XXXXX</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash flows from investing activities:</th>
<th>Proprietary Fund Types</th>
<th>Fiduciary Fund Types</th>
<th>Totals (Memorandum Only)</th>
<th>Totals (Memorandum Only)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on cash and cash equivalents</td>
<td>XXXXX</td>
<td>XXXX</td>
<td>XXXX</td>
<td>XXXX</td>
</tr>
<tr>
<td>Interest and dividends on investments</td>
<td>XXXXX</td>
<td>—</td>
<td>XXXX</td>
<td>XXXX</td>
</tr>
<tr>
<td>Proceeds from sales and maturities of investments</td>
<td>XXXXX,XXX</td>
<td>—</td>
<td>XXXXX</td>
<td>XXXXX</td>
</tr>
<tr>
<td>Purchases of investments</td>
<td>(XXX,XXX)</td>
<td>—</td>
<td>(XXX,XXX)</td>
<td>(XXX,XXX)</td>
</tr>
<tr>
<td><strong>Net cash provided by investing activities</strong></td>
<td>XXXXX</td>
<td>XXXX</td>
<td>XXXX</td>
<td>XXXX</td>
</tr>
</tbody>
</table>

| Net increase (decrease) in cash and cash equivalents    | XXXXX,XXX              | XXXX                 | XXXX                    | XXXX                    |

The notes to the financial statements are an integral part of this statement.
NAME OF GOVERNMENT
Statement of Changes in Plan Net Assets
Pension Trust Fund
Year Ended December 31, 19X8

Additions
Contributions
   Employer
   Plan members
   Total contributions

Investment income
   Net appreciation in fair value of investments
   Interest
   Dividends
   Reverse repurchase agreement income

Less:
   Investment expense
   Reverse repurchase agreement expenses
   Net investment income
   Total additions

Deductions
   Benefits
   Refunds of contributions
   Total deductions

Net increase

Net assets held in trust for pension benefits
(A schedule of funding progress is in paragraph .17)
   January 1, 19X8
   December 31, 19X8

The notes to the financial statements are an integral part of this statement.
<table>
<thead>
<tr>
<th>Assets:</th>
<th>School District</th>
<th>Parks and Recreation Commission</th>
<th>Transit Authority</th>
<th>Airport Authority</th>
<th>Convention Center Authority</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ XXX,XXX</td>
<td>$ XXX,XXX</td>
<td>$ XXX,XXX</td>
<td>$ XXX,XXX</td>
<td>$ XXX,XXX</td>
<td>$ XXX,XXX</td>
</tr>
<tr>
<td>Investments</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Receivables (net allowance for uncollectibles):</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Accounts</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Lease receivable from primary government</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Buildings</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Improvements other than buildings</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Amounts to be provided</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Total assets</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Liabilities:</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Vouchers payable</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Contracts payable</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Due to primary government</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>General obligation bonds payable</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Revenue bonds payable</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Equity:</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Investment in general fixed assets</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Contributed capital</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Fund balances:</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Reserved for encumbrances</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Unreserved</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Total equity</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Total liabilities and equity</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
</tbody>
</table>

[Adapted from GASB 14, par. 156]
NAME OF GOVERNMENT
Combining Statement of Revenues, Expenditures
and Changes in Fund Equity—Component Units
For the Fiscal Year Ended December 31, 19X8

<table>
<thead>
<tr>
<th>Revenues:</th>
<th>School District</th>
<th>Parks and Recreation Commission</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxes</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
<td>$ XXX,XXX</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>XXX,XXX</td>
<td>XX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Licenses and permits</td>
<td>—</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenditures:</th>
<th>School District</th>
<th>Parks and Recreation Commission</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General government</td>
<td>—</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Public safety</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Highways and streets</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Education</td>
<td>XXX,XXX</td>
<td>—</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Capital outlay</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Debt service—Principal</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Interest</td>
<td>XX,XXX</td>
<td>X,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other Financing Sources (Uses):</th>
<th>School District</th>
<th>Parks and Recreation Commission</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating transfers from primary government</td>
<td>—</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td><strong>Total other financing sources (uses)</strong></td>
<td>—</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Excess of revenues and other sources over (under) expenditures and other uses</td>
<td>(XX,XXX)</td>
<td>XX,XXX</td>
<td>(XX,XXX)</td>
</tr>
<tr>
<td>Net income from golf course</td>
<td>—</td>
<td>XX,XXX</td>
<td>X,XXX</td>
</tr>
<tr>
<td>Fund equity—Beginning</td>
<td>XXX,XXX</td>
<td>XX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td><strong>Fund equity—Ending</strong></td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
<td>$X,XXX,XXX</td>
</tr>
</tbody>
</table>

[Adapted from GASB 14, par. 156]
NAME OF GOVERNMENT
Combining Statement of Revenues, Expenses and Changes in Fund Equity—Component Units
For the Fiscal Year Ended December 31, 19X8

<table>
<thead>
<tr>
<th></th>
<th>Transit Authority</th>
<th>Airport Authority</th>
<th>Convention Center Authority</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenues:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charges for services</td>
<td>$ XXX,XXX</td>
<td>$ XXX,XXX</td>
<td>$ XXX,XXX</td>
<td>$X,XXX,XXX</td>
</tr>
<tr>
<td>Total operating revenues</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Operating Expenses:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal services</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Contractual services</td>
<td>XXX,XXX</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Supplies</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Materials</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Heat, light, and power</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Depreciation</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Operating income (loss)</td>
<td>(XXX,XXX)</td>
<td>(XXX,XXX)</td>
<td>(XXX,XXX)</td>
<td>(XXX,XXX)</td>
</tr>
<tr>
<td>Nonoperating Revenues (Expenses):</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating grants</td>
<td>XXX,XXX</td>
<td>XX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Investment income</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Interest expense and fiscal charges</td>
<td>—</td>
<td>(XX,XXX)</td>
<td>(XXX,XXX)</td>
<td>(XXX,XXX)</td>
</tr>
<tr>
<td>Tax revenues</td>
<td>—</td>
<td>—</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Total nonoperating revenues (expenses)</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Income (loss) before operating transfers</td>
<td>(XXX,XXX)</td>
<td>X,XXX</td>
<td>X,XXX</td>
<td>(XXX,XXX)</td>
</tr>
<tr>
<td>Operating transfers from primary government</td>
<td>XXX,XXX</td>
<td>—</td>
<td>XX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Net income</td>
<td>XX,XXX</td>
<td>X,XXX</td>
<td>XX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Fund equity—Beginning</td>
<td>X,XXX,XXX</td>
<td>X,XXX,XXX</td>
<td>X,XXX,XXX</td>
<td>X,XXX,XXX</td>
</tr>
<tr>
<td>Contributions—Capital grants</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>—</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Fund equity—Ending</td>
<td>$X,XXX,XXX</td>
<td>$X,XXX,XXX</td>
<td>$X,XXX,XXX</td>
<td>$X,XXX,XXX</td>
</tr>
</tbody>
</table>

[Adapted from GASB 14, par. 156]
### NAME OF GOVERNMENT

**Combining Statement of Cash Flows—Component Units**

**For the Fiscal Year Ended December 31, 19X8**

<table>
<thead>
<tr>
<th>Transit Authority</th>
<th>Airport Authority</th>
<th>Convention Center Authority</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating income (loss)</td>
<td>$(XXX,XXX)</td>
<td>$(XX,XXX)</td>
<td>$(XXX)</td>
</tr>
<tr>
<td>Adjustments to reconcile operating income to net cash provided by operating income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Provision for uncollectible accounts</td>
<td>—</td>
<td>XXX</td>
<td>XXX</td>
</tr>
<tr>
<td>Interest on lease receivable</td>
<td>—</td>
<td>(XXX)</td>
<td>—</td>
</tr>
<tr>
<td>(Increase) decrease in receivables</td>
<td>XXX</td>
<td>(XXX)</td>
<td>XXX</td>
</tr>
<tr>
<td>Increase (decrease) in vouchers payable</td>
<td>XXX</td>
<td>(XXX)</td>
<td>—</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>XXX</td>
<td>XX,XXX</td>
<td>XXX</td>
</tr>
</tbody>
</table>

| **Cash flows from noncapital financing activities:** | | | |
| Operating grants received | XXX,XXX | XX,XXX | XXX,XXX | XXX,XXX |
| Tax receipts | — | — | XXX,XXX | XXX,XXX |
| Operating transfers from primary government | XXX,XXX | — | XX,XXX | XXX,XXX |
| Payment of amount due to primary government | (XXX) | (XXX) | — | (XXX) |
| **Net cash provided by noncapital financing activities** | XXX,XXX | XX,XXX | XXX,XXX | XXX,XXX |

| **Cash flows from capital and related financing activities:** | | | |
| Principal paid on bond debt | — | (XXX) | (XXX,XXX) | (XXX,XXX) |
| Interest and fiscal changes paid on bond debt | — | (XXX) | (XXX,XXX) | (XXX,XXX) |
| Payments to acquire, construct, or improve capital assets | (XXX) | (XXX) | (XXX,XXX) | (XXX,XXX) |
| Proceeds from sale of fixed assets | — | XXX | — | XXX |
| Capital lease payments received (including $XXX,XXX interest) | — | XXX | — | XXX |
| **Net cash used for capital and related financing activities** | (XXX) | (XXX) | (XXX,XXX) | (XXX,XXX) |

| **Cash flows from investing activities:** | | | |
| Interest on cash and cash equivalents | XXX | XXX | XXX | XXX |
| Interest and dividends on investments | XXX | XXX | XXX | XXX |
| Proceeds from sales and maturities of investments | XXX | XXX | XXX | XXX |
| Purchases of investments | (XXX) | (XXX) | (XXX,XXX) | (XXX,XXX) |
| **Net cash provided by investing activities** | XXX | XXX | XXX | XXX |

| **Net increase in cash and cash equivalents** | XXX | XXX | XXX | XXX |

| **Cash and cash equivalents, January 1** | XXX | XXX | XXX | XXX |
| **Cash and cash equivalents, December 31** | $XXX | $XXX | $XXX | $XXX |

The notes to the financial statements are an integral part of this statement.
NAME OF GOVERNMENT
Illustrative Notes to Financial Statements
December 31, 19X8

1. Summary of Significant Accounting Policies
The Name of Government was organized in 18XX and operates as a second class city. The City has a population of approximately 70,000 residents, covers an area of fifteen square miles, and operates under a council/manager form of government. Major services provided by the City and by its component units, as discussed below, include police and fire protection, street maintenance, garbage collection, welfare programs for low-income individuals and families, parks, elementary and secondary education, water and sewer services, bus transportation, regional airport services, and regional convention facilities.

The general purpose financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies follow.

A. Reporting Entity
This report includes all of the services provided by the City to residents and businesses within its boundaries. In evaluating the City's reporting entity in accordance with GASB Statement No. 14, The Financial Reporting Entity, management has included all organizations that make up the City's legal entity and all component units. Consistent with applicable guidance, the criteria used by the City to include component units within its reporting entity are financial accountability and the nature and significance of the relationship. The City includes organizations as component units under the following financial accountability criteria:

1. Organizations for which the City Council appoints a voting majority of the organizations' governing body and for which (a) the City is able to impose its will on the organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City.

2. Organizations that are fiscally dependent on the City. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the City.

Following is a brief description of the component units meeting the above criteria that are included in the City's financial reporting entity. These component units are included in the financial reporting entity by discrete presentation, which emphasizes that they are legally separate from the City. Discrete presentation entails reporting component unit financial data in one or more columns separate from the financial data of the City's legal entity. All these component units have a December 31 year-end. Except for the Name of Government's School District (NGSD), the governing bodies of all of these component units are appointed by the City Council. The NGSD's board is elected by the voters of the City.

1. The NGSD operates the elementary and secondary schools in the City. The NGSD may not issue debt without the City's approval, and its property tax levy request is subject to City Council approval. The district's taxes are levied under the taxing authority of the City and are included as part of the City's total tax levy.

* The discussion in the footnotes regarding the timing of revenue and expense recognition may need to be revised for entities that apply GASB 33, Accounting and Financial Reporting for Nonexchange Transactions, prior to its effective date. GASB 33 is effective for financial statements for periods beginning after June 15, 2000, with earlier application encouraged.
2. The Parks and Recreation Commission operates and maintains the three public golf courses and the public parks in the City. The City provides a material subsidy to the commission, primarily to finance the operations of the public parks.

3. The Transit Authority provides mass transit services to the citizens of the City. The City annually provides significant operating subsidies to the authority.

4. The Airport Authority operates the City’s noncommercial airport facility. The authority’s operating budget is subject to the approval of the City Council. The City Council also is required to approve proposed capital improvements or additions to the Authority’s facilities.

5. The Convention Center Authority operates the City’s Convention Center. The City levies and collects a special 1 percent hotel and amusement tax to subsidize the center’s operations and is secondarily liable for the Convention Center bonds.

Complete financial statements of the individual component units can be obtained from their respective administrative offices in Name of Government or from the City clerk’s office at City Hall at 123 Main Street in Name of Government.

Name of Government School District 1112 Education Street
Name of Government Parks and Recreation Commission 789 Parks Drive
Name of Government Transit Authority 123 Trolley Avenue
Name of Government Airport Authority 10 Airport Road
Name of Government Convention Center Authority 456 Stadium Drive

B. Fund Types and Account Groups

The City uses several funds and account groups to account for its financial position and results of operations. 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 activity. The City maintains the following fund types and account groups.

**Governmental fund types** are used to account for the City’s general government activities. These fund types include the general fund, special revenue funds, debt service fund, and the capital projects fund. The general fund accounts for all financial resources except those required to be accounted for in another fund. The special revenue funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes (except for major capital projects). The City maintains five special revenue funds—the parks fund, the state gasoline tax fund, the motor vehicle license fund, the parking meter fund, and the juvenile rehabilitation fund. The debt service fund accounts for the servicing of general long-term debt. The capital projects fund accounts for the acquisition, construction, or improvement of major capital facilities and infrastructure. Separate capital projects are not reported as separate funds, even though the City maintains discrete accounting for the financing of each project.

**Proprietary fund types** are used to account for activities conducted on a fee-for-service basis in a manner similar to commercial enterprises. These funds provide services to the City (the motor pool internal service fund) and the public (the water and sewer enterprise fund).

**Fiduciary funds** (trust and agency funds) are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The City maintains an expendable trust fund, which accounts for assets where both the principal and interest may be spent, and a nonexpendable trust fund, which accounts for assets where only the interest may be spent. The City also maintains a pension trust fund to account for the assets of the City employees’ pension plan and three agency funds—the special payroll fund, the property tax fund, and the student activity fund.

The **general fixed assets account group** is used to account for the property and equipment acquired for general government purposes. The **general long-term debt account group** accounts for the principal amount of long-term debt and other long-term obligations of the governmental funds.
The School District uses governmental fund accounting; the Transit, Airport, and Convention Center Authorities use proprietary fund accounting; and the Parks and Recreation Commission uses governmental funds to account for most of its transactions and balances except for its golf course operations, which are accounted for in an enterprise fund. The component units are presented in a single column on the combined balance sheet, operating statements, and statement of cash flows. The Parks and Recreation Commission’s golf course operations are reduced to a single net amount and reported as a separate line item on the combined and combining statements of revenues, expenditures, and changes in fund equity. In addition, combining statements for the component units are presented in the general purpose financial statements. The component units apply all applicable accounting and financial reporting standards of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, in accounting and reporting for their proprietary funds.

C. Measurement Focus and Basis of Accounting

The City’s governmental funds are accounted for using the current financial resources measurement focus. Accordingly, only current assets and liabilities are included on the balance sheets and the fund balances report only spendable resources. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net assets. These funds use the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized when they are available and measurable and expenditures are recorded when the fund liability is incurred, if measurable. Revenues that are accrued include federal and state grants, property taxes, transient occupancy taxes, sales taxes collected by the State on behalf of the City before 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. Other financing sources for bond proceeds are recognized when the debt is issued.

The City’s proprietary funds are accounted for using the economic resources measurement focus. Accordingly, these funds report all assets and liabilities on their balance sheets. Their reported fund equity is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (revenues) and decreases (expenses) in net assets. These fund use the accrual basis of accounting. Revenues are recognized when they are earned and become measurable and expenses are recognized when incurred, if measurable. The City applies all applicable accounting and financial reporting standards of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, in accounting and reporting for its proprietary funds. The water and sewer enterprise fund bills for services on a staggered, bimonthly basis and accounts for that revenue when billed. 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, 19X8 and 19X7 are not material and have not been recorded.

The expendable trust fund is accounted for in essentially the same manner as the governmental funds, using the same measurement focus and basis of accounting. The nonexpendable and pension trust funds are accounted for in essentially the same manner as the proprietary funds. The agency funds are custodial in nature and do not present results of operations or have a measurement focus. The assets of the agency funds are accounted for on the modified accrual basis of accounting, and funds’ liabilities equal their assets.

The two account groups are only concerned with the measurement of financial position and do not have a measurement focus. Fixed assets and long-term liabilities are recorded in the account groups as discussed below.

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 the fund’s measurement focus.
Fixed assets used in governmental fund operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in the funds. Fixed assets used in proprietary fund operations are accounted for in those funds. There are no fixed assets associated with the trust 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 not capitalized with other 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.

No depreciation has been provided on general fixed 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 is provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>25-50 years</td>
</tr>
<tr>
<td>Improvements</td>
<td>10-20 years</td>
</tr>
<tr>
<td>Equipment</td>
<td>3-10 years</td>
</tr>
</tbody>
</table>

Long-term debt expected to be financed from governmental funds are accounted for at face value in the general long-term debt account group, not in the governmental funds. Debt proceeds are reported in a governmental fund as an other financing source, net of any premium or discount and issuance costs. Expenditures for the payment of principal and interest on general long-term debt are recognized in the debt service fund when the payments are due. Certain other governmental fund obligations not expected to be financed with current available financial resources also are reported in the account group.

Long-term liabilities associated with the proprietary funds are accounted for in those funds. Bond premiums and discounts and issuance costs are deferred and amortized over the life of the bonds on a straight-line basis, which does not differ materially from the use of the effective interest method.

E. Cash Equivalents

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.

F. Investments

Investments are reported at fair value. Securities owned by the City and the component units are traded on a national exchange and valued at the last reported sales price at current exchange rates.

G. Receivables and Payables

All receivables are shown net of an allowance for uncollectible amounts. The property tax receivable allowance is equal to three percent of outstanding taxes at December 31, 19X8.

Noncurrent portions of long-term interfund loans receivable (reported in “Advance to” asset accounts) are equally offset in the governmental funds by a fund balance reserve account indicating that they do not constitute “available spendable resources.” Current portions of long-term interfund loans receivable (reported in “Due from” asset accounts) are considered “available spendable resources” in the governmental funds and thus not offset by a reserve.

Noncurrent portions of other long-term receivables due to governmental funds are reported on their balance sheets. However, those long-term amounts are offset by “Deferred revenue,” which is reported in the liability section of the balance sheet, until the amounts become current and are recognized as revenue.
H. Inventories and Prepaid Items

Inventories consist of expendable supplies held for consumption. They are valued at cost (first-in, first-out), which is less than the current market value. In the governmental funds, the cost of inventories is recorded as an expenditure when individual items are purchased. Reported inventories in those funds are equally offset by a fund balance reserve to indicate that they do not constitute "available spendable resources" even though they are a component of net current assets.

Certain payments to vendors reflect costs applicable to future periods. In the governmental funds, the cost of prepaid items is recorded as an expenditure when the payments are made. In the proprietary funds, these items are recorded as prepaid items. Prepaid items in the water and sewer enterprise fund also represent a negative net pension obligation, as discussed in Note 3G.

I. Restricted Assets

Certain assets of the enterprise fund are classified as restricted assets because their use is restricted by bond indentures.

J. Compensated Absences

It is the City’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Such benefits must be used during employment; payments for the benefits are not made when the employees leave service. Accumulated vacation benefits are reported as accrued liabilities to the extent they are expected to be paid during an employee’s service. These amounts are reported as expenses and liabilities in the proprietary funds. These amounts are not reported as expenditures in the governmental funds because they are not expected to be paid with available financial resources. Instead, the liability is reported in the general long-term debt account group as accrued liabilities.

K. Fund Equity

Fund balance reserves represent amounts that are not approducible or that are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The proprietary funds’ contributed capital represents equity acquired through capital grants and capital contributions from developers, customers, and other City funds.

L. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the general fund, special revenue funds, and capital projects fund. Encumbrances outstanding at year end are reported as reservations of fund balances because they do not constitute expenditures or liabilities.

M. Accounting Change

Effective January 1, 19X8, the City, as required by federal law, amended the provisions of its Internal Revenue Code 457 deferred compensation plan to place the plan’s assets in trust for the benefit of the plan participants. The City has no fiduciary responsibility for those assets once they are deposited with the plan administrator. Consequently, under the provisions of GASB standards, the assets of the plan, which previously were reported in an agency fund, are not reported in the financial statements. The amount of those assets at December 31, 19X7, was $X,XXX,XXX.

N. Total (Memorandum Only) Columns

The total columns are captioned "memorandum only" because they do not represent consolidated financial information and are presented only to make financial analysis easier. Data in
these columns do not present financial position, results of operations, or cash flows in accordance with GAAP. Interfund eliminations have not been made in the aggregation of this data.

2. Stewardship, Compliance, and Accountability

A. Budgets and Budgetary Accounting

An operating budget is adopted each year for the general fund and all special revenue funds. Budgetary control for the debt service fund is maintained through the provisions of related bond indentures and budgetary control for the capital projects fund is maintained through multi-year project budgets.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Before 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. Before 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.
6. Budgets are adopted on a basis consistent with GAAP.
7. Excess appropriations at the end of the fiscal year lapse unless they are encumbered by year-end and spent by March 31 of the following year.

Budgeted amounts reported in the financial statements are as originally adopted, or as amended by the City Council on June 27, 19X8. Individual amendments were not material in relation to the original appropriations that were amended.

B. Excess of Expenditures Over Appropriations and Deficit Fund Equity

There was no excess of expenditures over appropriations in individual budgeted funds for the year ended December 31, 19X8. There was no deficit fund equity in any individual fund at December 31, 19X8.

3. Detailed Notes on All Funds and Account Groups

A. Deposits, Investments, and Reverse Repurchase Agreements

State statutes, City ordinances, and the policies of the Boards of the component units permit the City and the component units to invest their moneys as follows:

1. Deposit accounts with insured financial institutions, provided those accounts are entirely insured by the Federal Depository Insurance Corporation (FDIC) or collateralized with government securities that have a fair value exceeding the deposit amount.
2. The State Treasurer's Local Government Investment Pool (LGIP).
3. U.S. Treasury obligations with terms-to-maturity of three years or less.
4. Commercial paper, bankers' acceptances, and repurchase agreements with terms-to-maturity of 180 days or less.
In addition, City ordinance permits the pension trust fund to invest in U.S. government treasury and agency obligations with terms-to-maturity of ten years or less, corporate notes with terms-to-maturity of five years or less, and certain financial options. That trust fund also may enter into reverse repurchase agreements.

The City pools the moneys of its various funds, except those of the pension trust fund and the restricted assets of the enterprise fund, for investment purposes. Investment income is allocated among the various funds in the pool based on the funds' average monthly balances.

The bank balances of the City’s and component units’ deposits with financial institutions are entirely insured by the FDIC, or collateralized with U.S. government securities whose fair values exceed the amount of the bank balance of the deposit and that are held by an independent third-party agent of the City in the City’s name.

The following table presents the City’s and component units’ investments, either classified into one of the following categories of custodial credit risk or unclassified because they do not represent investment positions that are represented by securities:

- **Category 1**: Insured or registered or securities held by the City or by the City’s agent in the City’s name
- **Category 2**: Uninsured and unregistered, with securities held by the counterparty’s trust department or agent in the City’s name
- **Category 3**: Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City’s name.

<table>
<thead>
<tr>
<th>Category</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. treasuries</td>
<td>$ XX,XXX</td>
<td>$ XX,XXX</td>
<td>$XXX,XXX</td>
<td>$ XXX,XXX</td>
</tr>
<tr>
<td>U.S. agencies</td>
<td>—</td>
<td>XXX,XXX</td>
<td>$X,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Bankers’ acceptances</td>
<td>—</td>
<td>XX,XXX</td>
<td>—</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Commercial paper</td>
<td>—</td>
<td>XXX,XXX</td>
<td>—</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Repurchase agreements</td>
<td>XXX,XXX</td>
<td>—</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Corporate notes</td>
<td>—</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td></td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
<td>$X,XXX,XXX</td>
</tr>
<tr>
<td>LGIP</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>$X,XXX,XXX</td>
</tr>
</tbody>
</table>

The City had significantly higher amounts of investment securities in category 3 during the year while investing property tax receipts in repurchase agreements.

A reconciliation of cash and cash equivalents and investments as shown on the balance sheet and the deposits and investments disclosed in this note are as follows:

**Balance sheet**
- Cash and cash equivalents: $X,XXX,XXX
- Cash with fiscal agent: XXX,XXX
- Investments: X,XXX,XXX
- Restricted cash and cash equivalents: XXX,XXX
- Restricted investments: XXX,XXX
- **Total**: $X,XXX,XXX

**Note disclosure**
- Cash on hand: $ XX,XXX
- Carrying amount of deposits: XXX,XXX
- Investments: X,XXX,XXX
- **Total**: $X,XXX,XXX
On December 31, the City entered into a reverse repurchase agreement with a broker-dealer. In this agreement, the City sold the broker a $XXX,XXX U.S. Treasury security owned by the pension trust fund for $XXX,XXX. The City will repurchase the Treasury security on January 30, 19X9, for the same amount, plus interest of 6.5 percent. The City used the proceeds of this reverse repurchase agreement to purchase $XXX,XXX of commercial paper with an interest rate of 6.8 percent, which matures on January 30, 19X9.

B. Property Taxes

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 as well as those of the Name of Government School District. Collections of the school district taxes and remittance of them to the District are accounted for in the property tax agency fund. City property tax revenues are recognized in the general and debt service funds when levied. Taxes received within sixty days of year-end are recognized as revenue; the remaining taxes receivable, net of estimated uncollectible amounts, are reported as deferred revenue.

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 long-term debt for the year ended December 31, 19X8, was $3.74 per $100 of assessed valuation. Therefore, the City has a tax margin of $1.26 per $100 and could raise up to an additional $XXX,XXX a year from the present assessed valuation of $XX,XXX,XXX before the limit is reached.

The tax rate to finance the payment of long-term debt for the year ended December 31, 19X8, was $1.25 per $100 of assessed valuation.

C. Due From Other Governments

Amounts due from other governments include $XXX,XXX due from the County in connection with the construction of a new bridge on Ennis Boulevard over the Maxwell River. The total cost of the bridge is estimated at $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 on or about April 1, 19X9, when the project is fifty percent complete. Completion of the project is expected by November 1, 19X9.

The allowances for uncollectible receivables are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxes</td>
<td>$X,XXX</td>
</tr>
<tr>
<td>Accounts</td>
<td>X,XXX</td>
</tr>
<tr>
<td>Special assessments</td>
<td>X,XXX</td>
</tr>
</tbody>
</table>

Delinquent special assessment receivables in the debt service fund are X,XXX.

D. Interfund Receivables

The composition of amounts due to and from other funds as of December 31, 19X8, is as follows:

<table>
<thead>
<tr>
<th>Receivable Fund</th>
<th>Payable Fund</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>Parks</td>
<td>$X,XXX</td>
</tr>
<tr>
<td>Enterprise</td>
<td>General</td>
<td>X,XXX</td>
</tr>
<tr>
<td>Internal service</td>
<td>General</td>
<td>X,XXX</td>
</tr>
<tr>
<td></td>
<td>Capital projects</td>
<td>X,XXX</td>
</tr>
<tr>
<td>Pension trust fund</td>
<td>General</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$XX,XXX</td>
</tr>
</tbody>
</table>

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The composition of advances between funds and amounts due to the primary government from the component units are apparent in the general purpose financial statements.

E. Fixed Assets

A summary of changes in general fixed assets follows:

<table>
<thead>
<tr>
<th></th>
<th>Balance January 1, 19X8</th>
<th>Additions</th>
<th>Deletions</th>
<th>Balance December 31, 19X8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$X,XXX,XXX</td>
<td>$XX,XXX</td>
<td>$—</td>
<td>$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>Machinery and equipment</td>
<td>XXX,XXX</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>X,XXX,XXX</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>XXX,XXX</td>
<td>X,XXX,XXX</td>
<td>XXX,XXX</td>
<td>X,XXX,XXX</td>
</tr>
<tr>
<td><strong>Total</strong></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 for general fixed assets is composed of the following:

<table>
<thead>
<tr>
<th>Project</th>
<th>Authorization</th>
<th>Expended to December 31, 19X8</th>
<th>Committed</th>
<th>Required Financing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ennis Street Bridge</td>
<td>$X,XXX,XXX</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
<td>None</td>
</tr>
<tr>
<td>City Hall improvements</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XX,XXX</td>
<td>None</td>
</tr>
<tr>
<td>Improvement District No. 80</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XX,XXX</td>
<td>None</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$X,XXX,XXX</td>
<td>$X,XXX,XXX</td>
<td>$X,XXX,XXX</td>
<td></td>
</tr>
</tbody>
</table>

Proprietary fund type fixed assets and accumulated depreciation are presented by asset class in the balance sheet.

F. Long-term Debt

General Obligation Bonds

The City issues general obligation bonds to finance the acquisition and construction of major capital facilities, both for general government and proprietary activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. The Name of Government School District and Parks and Recreation Commission also have issued general obligation bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the issuing entity. These bonds are generally issued as 20-year serial bonds with equal amounts of principal maturing each year. General obligation bonds outstanding at December 31, 19X8, are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Final Maturity Date</th>
<th>Interest Rates</th>
<th>Accounted for in</th>
<th>Outstanding Amount (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>19W2 Street, Bridge, and Drainage Improvements bonds</td>
<td>December 1, 20X2</td>
<td>3%</td>
<td>General long-term debt account group</td>
<td>$ XXX</td>
</tr>
<tr>
<td>19X8 Street, Bridge, and Drainage Improvements bonds</td>
<td>July 1, 20Y8</td>
<td>4%</td>
<td>General long-term debt account group</td>
<td>X,XXX</td>
</tr>
<tr>
<td>19W2 Waterworks bonds</td>
<td>January 31, 20X2</td>
<td>4%</td>
<td>Water and sewer enterprise fund</td>
<td>XXX</td>
</tr>
<tr>
<td>19X2 School Facilities bonds</td>
<td>December 1, 20Y2</td>
<td>4%</td>
<td>School District component unit</td>
<td>XXX</td>
</tr>
<tr>
<td>19X2 Richard Craddock Memorial Recreation Center bonds</td>
<td>July 1, 20Y2</td>
<td>5%</td>
<td>Parks and Recreation Commission component unit</td>
<td>XX</td>
</tr>
</tbody>
</table>
The annual debt service requirements to maturity for general obligation bonds, including interest of $XXX,XXX are as follows:

<table>
<thead>
<tr>
<th>Year Ending December 31</th>
<th>General Long-Term Debt Account Group</th>
<th>Enterprise Fund</th>
<th>Component Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>19X9</td>
<td>$XXX,XXX</td>
<td>$XX,XXX</td>
<td>$XX,XXX</td>
</tr>
<tr>
<td>20X0</td>
<td>XXX,XXX</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>20X1</td>
<td>XXX,XXX</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>20X2</td>
<td>XXX,XXX</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>20X3</td>
<td>XXX,XXX</td>
<td>—</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Thereafter</td>
<td>X,XXX,XXX</td>
<td>—</td>
<td>XXX,XXX</td>
</tr>
</tbody>
</table>

**Revenue Bonds**

The City and the component units also issue bonds where the income derived from the acquired or constructed assets is pledged to pay debt service. These bonds are generally issued as 20-year serial bonds with equal amounts of principal maturing each year. Revenue bonds outstanding at December 31, 19X8, are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Final Maturity Date</th>
<th>Interest Rates</th>
<th>Accounted for in</th>
<th>Outstanding Amount (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>19W8 Water and Sewer bonds</td>
<td>December 1, 20X8</td>
<td>3.5%</td>
<td>Water and sewer enterprise fund</td>
<td>$X,XXX</td>
</tr>
<tr>
<td>19X3 Airport Construction bonds</td>
<td>July 1, 20Y3</td>
<td>4%</td>
<td>Airport Authority component unit</td>
<td>XXX</td>
</tr>
<tr>
<td>19X5 Civic Center bonds</td>
<td>December 1, 20Y5</td>
<td>4%</td>
<td>Convention Center Authority component unit</td>
<td>X,XXX</td>
</tr>
</tbody>
</table>

The annual debt service requirements to maturity for revenue bonds, including interest of $XXX,XXX are as follows:

<table>
<thead>
<tr>
<th>Year Ending December 31</th>
<th>Enterprise Fund</th>
<th>Component Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>19X9</td>
<td>$XX,XXX</td>
<td>$XX,XXX</td>
</tr>
<tr>
<td>20X0</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>20X1</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>20X2</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>20X3</td>
<td>XX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Thereafter</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
</tbody>
</table>

**Special Assessment Debt**

The City issued $XXX,XXX of special assessment bonds in 19X8 to finance the construction of roads and street lighting in a new residential development. The 10-year serial bonds have a stated interest rate of 5 percent. The special assessment bonds have a general obligation backing and, thus, the City reports the face amount of the bonds in the general long-term account group.

The annual debt service requirements to maturity for the special assessment bonds, including interest of $XX,XXX are as follows:

<table>
<thead>
<tr>
<th>Year Ending December 31</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>19X9</td>
<td>$XX,XXX</td>
</tr>
<tr>
<td>20X0</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>20X1</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>20X2</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>20X3</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Thereafter</td>
<td>XXX,XXX</td>
</tr>
</tbody>
</table>
Capital Leases

The City has leased used fire suppression equipment, including pumper and ladder trucks, from the Name of Government Airport Authority. These lease agreements qualify as capital leases for accounting purposes and, thus, have been recorded at the present value of the future minimum lease payments at the inception of the lease in the general long-term debt account group.

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 19X8, are as follows:

<table>
<thead>
<tr>
<th>Year Ending December 31</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>19X9</td>
<td>$ XX,XXX</td>
</tr>
<tr>
<td>20X0</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>20X1</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Total minimum lease payments</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Less: amount representing interest</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Present value of minimum lease payments</td>
<td>$XXX,XXX</td>
</tr>
</tbody>
</table>

Changes in General Long-term Liabilities

The following represent changes during the year ended December 31, 19X8, in general long-term obligations:

| Compensated absences, reported in the balance sheet as accrued liabilities | $ XX,XXX | $ X,XXX | $(X,XXX) | $ XX,XXX |
| Lease payable to component unit | XXX,XXX | — | (XX,XXX) | XXX,XXX |
| General obligation bonds | XXX,XXX | X,XXX,XXX | (XX,XXX) | X,XXX,XXX |
| Special assessment debt | — | XXX,XXX | — | XXX,XXX |
| Totals | $XXX,XXX | $X,XXX,XXX | $(XX,XXX) | $X,XXX,XXX |

G. Pension Plans

Name of Government Pension Plan

Plan Description. The City is required by the Home Rule Charter to maintain an actuarially sound pension plan, as a single-employer defined benefit pension plan, to cover all officers and employees of the City. That Charter assigns the authority to establish and amend benefit provisions of the Name of Government Pension Plan (NGPP) to the City Council. The NGPP does not issue a separate financial report.

NGPP provides retirement, disability, and death benefits to plan members and beneficiaries. Retirement benefits vest after 10 years of credited service. NGPP refunds a member’s accumulated contribution upon termination of a nonvested member’s employment. Cost-of-living adjustments are provided to retirees and beneficiaries at the discretion of the City Council. Employees who retire are entitled to an annual retirement benefit, payable monthly for life.

a. Uniformed Personnel (Police and Fire) who retire at or after age 45 are eligible to receive a service pension equal to 2½ percent of the employee’s average final compensation (as defined in the City Code) multiplied by his or her years of credited service, subject to a maximum of 100 percent of average final compensation.

b. Municipal employees who retire at or after age 55 are eligible to receive a service pension equal to the sum of 2½ percent of the employee’s average final compensation multiplied by his or her years of credited service to a maximum of 20 years; plus 2
percent of the employee's average final compensation (as defined in the City Code) multiplied by his or her years of credited service in excess of 20; limited to 80 percent of the employee's average final compensation.

At January 1, 19X8, NGPP membership consisted of:

Retirees and beneficiaries currently receiving benefits XXX
Terminated employees entitled to benefits but not yet receiving them XXX
Active employees
  Vested XXX
  Nonvested XXX
Total membership X,XXX

Summary of Significant Accounting Policies. NGPP financial statements are prepared using the accrual basis of accounting. Employer and plan member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Investments are reported at fair value. Securities owned by NGPP are traded on a national exchange and valued at the last reported sales price at current exchange rates.

Funding Policy. The contribution requirements of plan members and the City are established and may be amended by the City Council. Plan members are required to contribute 3¾ percent of their annual compensation up to the social security taxable wage base and 6 percent of any remaining covered salary. The City is required to contribute at an actuarially determined rate; the rate during 19X8 was 12 percent of annual covered payroll. All administrative functions are provided for by the City's general fund.

Annual Pension Cost and Net Pension Obligation. The City's annual pension cost and net pension obligation to NGPP for the current year were as follows:

Annual required contribution (ARC) $ XXX,XXX
Interest on net pension obligation (NPO) (XX,XXX)
Adjustment to ARC XXX
Annual pension cost XXX,XXX
Contribution made (XXX,XXX)
Change in NPO X,XXX
NPO, December 31, 19X7 (XX,XXX)
NPO, December 31, 19X8 $ (XX,XXX)

As of December 31, 19X8, $XXX of the negative net pension obligation is recorded in the water and sewer enterprise fund as a prepaid expense. The remaining $XX,XXX of the negative net pension obligation is associated with pension expenditures of the governmental funds and is not displayed in the balance sheet.

The annual required contribution for the current year was determined as part of the January 1, 19X8, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.5 percent investment rate of return and (b) projected salary increases ranging from 5.5 percent to 9.5 percent per year. Both (a) and (b) included an inflation component of 5.5 percent. The assumptions did not include postretirement benefit increases, which are funded by separate City appropriations when granted. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at January 1, 19X8, was 15 years.
Three-Year Trend Information

<table>
<thead>
<tr>
<th>Year Ending</th>
<th>Annual Pension Cost (APC)</th>
<th>Percentage of APC Contributed</th>
<th>Net Pension Obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/31/X6</td>
<td>$XXX,XXX</td>
<td>XX%</td>
<td>$(XX,XXX)</td>
</tr>
<tr>
<td>12/31/X7</td>
<td>XXX,XXX</td>
<td>XX%</td>
<td>(XX,XXX)</td>
</tr>
<tr>
<td>12/31/X8</td>
<td>XXX,XXX</td>
<td>XX%</td>
<td>(XX,XXX)</td>
</tr>
</tbody>
</table>

Schedules of required supplementary information for the NGPP are presented after these note to the financial statements.

Component Unit Pension Plans

Except for the Name of Government School District (NGSD), all employees of the City’s component units are covered by defined contribution pension plans. These plans, which are established under the authority of state law, are all administered by the Supreme Investment Company. They are governed by trust documents that can be amended by the individual component unit governing boards. Because the component units have no fiduciary responsibility for these plans, the assets of the plans are not reported in these financial statements.

Employer and plan member contributions are invested in various Supreme mutual funds selected by the plan participants from a selection of funds made available by the employers. Employer contributions vest after ten years of credited service. Employees can select from one of several annuity income options upon retirement and after age sixty.

Contribution requirements and contributions actually made for the year ended December 31, 19X8 are as follows:

<table>
<thead>
<tr>
<th>Employer Contribution</th>
<th>Plan Member Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Required</td>
<td>Made</td>
</tr>
<tr>
<td>Parks and Recreation Commission</td>
<td>X% of salary</td>
</tr>
<tr>
<td>Transit Authority</td>
<td>X% of salary</td>
</tr>
<tr>
<td>Airport Authority</td>
<td>X% of salary</td>
</tr>
<tr>
<td>Convention Center Authority</td>
<td>X% of salary</td>
</tr>
</tbody>
</table>

Substantially all full-time and part-time employees of the NGSD participate in a statewide cost-sharing multiple employer defined benefit pension plan administered by the Public School Employees Retirement System (PSERS). Benefit provisions of the plan are established under the provisions of the PSERS Code (the Code) and may be amended by an act of the State Legislature. The plan provides retirement, disability, and death benefits, as well as legislatively mandated ad hoc cost-of-living adjustments to qualifying plan members and beneficiaries. It also provides for refunds of a nonvested member’s accumulated contribution upon termination from employment in the public school sector. PSERS issues a publicly available financial report that includes financial statements for the plan. That report may be obtained by writing to PSERS, P.O. Box 111, State Capitol, State 00000-0111.

The contribution policy for PSERS is set by the Code and requires contributions by active employees and by participating employers. Plan members are required to contribute 6.25 percent of their covered payroll. The contributions required of participating employers is based on an actuarial valuation and is expressed as a percentage of annual covered payroll during the period for which the amount is determined. The NGSD’s contributions to PSERS for the years ending June 30, 19X8, 19X7, and 19X6 were $XXX,XXX, $XXX,XXX, and $XXX,XXX, respectively. Those amounts are equal to the required contribution for each year.
The NGSD recognizes annual pension expenditures or expenses equal to its contractually required contributions, subject to the modified accrual basis of accounting in its governmental funds.

H. Postemployment Benefits Other Than Pensions
The City provides certain healthcare and life insurance benefits to retired employees. All full-time employees are eligible for benefits if actively employed by the City immediately before retirement. As of December 31, 19X8, there were XX retirees receiving these benefits. The benefits are provided in accordance with City Code and labor agreements and require no contributions from the retirees. The City finances the benefits on a pay-as-you-go basis and recognizes expenditures at the time the premiums are due. The premiums for these benefits totaled $XX,XXX in 19X8.

I. Joint Venture
The City participates with two other local cities in the Mid-State Power Authority, a joint venture that sells hydroelectric power to power companies. The Authority is governed by a six-member board, two members of which are appointed by each of the participating cities. The City has an equity interest in the net assets of the Authority proportional to its net contributions to the Authority for capital facilities and operations since it was organized. The City also has an obligation to finance one-third of the net losses of the Authority; it also has the right to receive one-third of the Authority’s income. The City’s net investment and its share of the operating results of the Authority are reported in the water and sewer enterprise fund. The Authority’s annual financial statements for the year ended December 31, 19X8, are available from the Authority’s administrative office at 456 Water Street in Name of Government.

J. Intergovernmental Revenue—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 received through December 31, 19X8, including $XX,XXX in 19X8 for projects financed by the proceeds of the 1992 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 1992 Street, Bridge and Drainage Improvement bonds and are expected to average approximately $XX,XXX annually until the bonds mature.

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Facilities</th>
<th>Equipment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>19X9</td>
<td>$ XX,XXX</td>
<td>$XX,XXX</td>
<td>$ XX,XXX</td>
</tr>
<tr>
<td>20X0</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>20X1</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>20X2</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>20X3</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Thereafter</td>
<td>XXX,XXX</td>
<td>—</td>
<td>XXX,XXX</td>
</tr>
</tbody>
</table>

The 19X8 operating lease costs were $XX,XXX. Commitments under construction contracts are described in Note IIIC.

L. Risk Financing
The City and its component units are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance coverage from coverage in the prior year.
M. Contingent Liabilities

The City participates in a number of federally assisted grant programs that are subject to audit and adjustment by the grantors. The audits of these programs for or including the year ended December 31, 19X8, 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.

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.

N. Subsequent Event

On February 13, 19X9, the City Council was 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 19X9 with completion currently scheduled for mid-20X5.
NAME OF GOVERNMENT
Required Supplementary Information
Schedules of Funding Progress and Employer Contributions
December 31, 19X8

Funding Progress

<table>
<thead>
<tr>
<th>Valuation Date</th>
<th>Actuarial Value of Assets (a)</th>
<th>Actuarial Accrued Liability (AAL)—Entry Age (b)</th>
<th>Unfunded AAL (UAAL) (b - a)</th>
<th>Funded Ratio (a / b)</th>
<th>Covered Payroll (c)</th>
<th>UAAL as a Percentage of Covered Payroll ((b - a) / c)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) 1/1/X3</td>
<td>$X,XXX,XXX</td>
<td>$X,XXX,XXX</td>
<td>$XX,XXX XXX.XX%</td>
<td>$X,XXX,XXX XXX.XX%</td>
<td>$X,XXX,XXX XXX.XX%</td>
<td></td>
</tr>
<tr>
<td>1/1/X4</td>
<td>X,XXX,XXX</td>
<td>X,XXX,XXX</td>
<td>XX,XXX XXX.XX%</td>
<td>X,XXX,XXX XX.XX%</td>
<td>X,XXX,XXX XX.XX%</td>
<td></td>
</tr>
<tr>
<td>(2) 1/1/X5</td>
<td>X,XXX,XXX</td>
<td>X,XXX,XXX</td>
<td>XX,XXX XXX.XX%</td>
<td>X,XXX,XXX XX.XX%</td>
<td>X,XXX,XXX XX.XX%</td>
<td></td>
</tr>
<tr>
<td>1/1/X6</td>
<td>X,XXX,XXX</td>
<td>X,XXX,XXX</td>
<td>XX,XXX XXX.XX%</td>
<td>X,XXX,XXX XX.XX%</td>
<td>X,XXX,XXX XX.XX%</td>
<td></td>
</tr>
<tr>
<td>1/1/X7</td>
<td>X,XXX,XXX</td>
<td>X,XXX,XXX</td>
<td>XX,XXX XXX.XX%</td>
<td>X,XXX,XXX XX.XX%</td>
<td>X,XXX,XXX XX.XX%</td>
<td></td>
</tr>
<tr>
<td>1/1/X8</td>
<td>X,XXX,XXX</td>
<td>X,XXX,XXX</td>
<td>XX,XXX XXX.XX%</td>
<td>X,XXX,XXX XX.XX%</td>
<td>X,XXX,XXX XX.XX%</td>
<td></td>
</tr>
</tbody>
</table>

(1) Change in benefit provisions.
(2) Change in economic and actuarial assumptions.

Employer Contributions

<table>
<thead>
<tr>
<th>Year Ending</th>
<th>Annual Required Contributions</th>
<th>Percentage Contributed</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/31/X3</td>
<td>$X,XXX,XXX</td>
<td>XXX.XX%</td>
</tr>
<tr>
<td>12/31/X4</td>
<td>X,XXX,XXX</td>
<td>XXX.XX%</td>
</tr>
<tr>
<td>12/31/X5</td>
<td>X,XXX,XXX</td>
<td>XXX.XX%</td>
</tr>
<tr>
<td>12/31/X6</td>
<td>X,XXX,XXX</td>
<td>XXX.XX%</td>
</tr>
<tr>
<td>12/31/X7</td>
<td>X,XXX,XXX</td>
<td>XXX.XX%</td>
</tr>
<tr>
<td>12/31/X8</td>
<td>X,XXX,XXX</td>
<td>XXX.XX%</td>
</tr>
</tbody>
</table>

The accompanying notes to supplementary schedules are an integral part of these schedules.
NAME OF GOVERNMENT

Notes to Required Supplementary Information

December 31, 19X8

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

<table>
<thead>
<tr>
<th>Actuarial valuation date</th>
<th>1/1/X8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarial cost method</td>
<td>Entry age</td>
</tr>
<tr>
<td>Amortization method</td>
<td>Level percent open</td>
</tr>
<tr>
<td>Amortization period</td>
<td>15 years</td>
</tr>
<tr>
<td>Asset valuation method</td>
<td>4-year smoothed market</td>
</tr>
<tr>
<td>Actuarial assumptions</td>
<td></td>
</tr>
<tr>
<td>Investment rate of return*</td>
<td>7.50%</td>
</tr>
<tr>
<td>Projected salary increases*</td>
<td>5.5% to 9.5%</td>
</tr>
<tr>
<td>*Includes inflation at</td>
<td>5.50%</td>
</tr>
<tr>
<td>Cost of living adjustments</td>
<td>None</td>
</tr>
</tbody>
</table>
NAME OF GOVERNMENT  
Combining Balance Sheet—All Special Revenue Funds  
December 31, 19X8  

<table>
<thead>
<tr>
<th>Assets</th>
<th>State Gasoline Tax</th>
<th>Motor Vehicle License</th>
<th>Parking Meter</th>
<th>Juvenile Rehabilitation</th>
<th>December 31, 19X8</th>
<th>December 31, 19X7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$XX,XXX</td>
<td>$XX,XXX</td>
<td>$X,XXX</td>
<td>$XX,XXX</td>
<td>$XX,XXX</td>
<td>$XX,XXX</td>
</tr>
<tr>
<td>Investments</td>
<td>XX,XXX</td>
<td>—</td>
<td>—</td>
<td>X,XXX</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Receivables:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes receivable—delinquent (net of allowances for uncollectibles of $XXX)</td>
<td>X,XXX</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>X,XXX</td>
</tr>
<tr>
<td>Accounts receivable (net of allowance for uncollectibles of $XXX)</td>
<td>X,XXX</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>X,XXX</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>XX</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>XX</td>
</tr>
<tr>
<td>Due from state government</td>
<td>—</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>—</td>
<td>—</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Inventory of supplies, at cost</td>
<td>X,XXX</td>
<td>XXX</td>
<td>XXX</td>
<td>XXX</td>
<td>XXX</td>
<td>X,XXX</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$XX,XXX</td>
<td>$XX,XXX</td>
<td>$XX,XXX</td>
<td>$XX,XXX</td>
<td>$XX,XXX</td>
<td>$XXX,XXX</td>
</tr>
</tbody>
</table>

| Liabilities and Fund Balances |  |  |  |  | Totals Year Ended |
| Liabilities:  |  |  |  |  |  |
| Vouchers payable | $XX,XXX | $XX,XXX | $X,XXX | $X,XXX | $X,XXX | $X,XXX | $X,XXX |
| Contracts payable | XX,XXX | X,XXX | — | X,XXX | — | XX,XXX | XX,XXX |
| Judgments payable | X,XXX | — | — | — | — | X,XXX | — |
| Due to General Fund | X,XXX | — | — | — | — | — | X,XXX |
| Total Liabilities | XX,XXX | XX,XXX | XX,XXX | XX,XXX | XX,XXX | XX,XXX | XX,XXX |

| Fund Balances:  |  |  |  |  |  |
| Reserved for encumbrances | XX,XXX | XX,XXX | XX,XXX | XX,XXX | XX,XXX | XX,XXX | XX,XXX |
| Reserved for inventory of supplies | X,XXX | XXX | X,XXX | XXX | XXX | X,XXX | X,XXX |
| Unreserved | XX,XXX | XX,XXX | XXX | XXX | XXX | XXX | XXX |
| Total Fund Balances | XX,XXX | XX,XXX | XX,XXX | XX,XXX | XX,XXX | XX,XXX | XX,XXX |
| Total Liabilities and Fund Balances | $XX,XXX | $XX,XXX | $XX,XXX | $XX,XXX | $XX,XXX | $XX,XXX | $XX,XXX |

[Adapted from NCGA 1, App. B, Example 6]
### NAME OF GOVERNMENT
Combining Balance Sheet—All Special Revenue Funds—continued
December 31, 19X8

<table>
<thead>
<tr>
<th></th>
<th>State Gasoline Tax</th>
<th>Motor Vehicle License</th>
<th>Parking Meter</th>
<th>Juvenile Rehabilitation</th>
<th>December 31, 19X8</th>
<th>December 31, 19X7</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>$XXX,XXX</td>
<td>$ —</td>
<td>$ —</td>
<td>$ —</td>
<td>$ —</td>
<td>$ XXX,XXX</td>
</tr>
<tr>
<td>Intergovernmental revenues</td>
<td>—</td>
<td>XXX,XXX</td>
<td>—</td>
<td>—</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Charges for services</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Miscellaneous revenues</td>
<td>XXX,XXX</td>
<td>—</td>
<td>—</td>
<td>XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td><strong>Expenditures:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Safety</td>
<td>—</td>
<td>—</td>
<td>XXX,XXX</td>
<td>—</td>
<td>—</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Highways and streets</td>
<td>—</td>
<td>XXX,XXX</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Culture and recreation</td>
<td>XXX,XXX</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td><strong>Excess of Revenues over (under) Expenditures</strong></td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
<td>(XXX)</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Fund Equity—January 1</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
</tr>
<tr>
<td>Fund Equity—December 31</td>
<td>$ XXX,XXX</td>
<td>$ XXX,XXX</td>
<td>$ XXX,XXX</td>
<td>$ XXX,XXX</td>
<td>$ XXX,XXX</td>
<td>$ XXX,XXX</td>
</tr>
</tbody>
</table>

[Adapted from NCGA 1, App. B, Example 7, as amended by GASB 14]
NAME OF GOVERNMENT  
Statement of Revenues, Expenditures, and Changes in Fund Balance—
Budget and Actual—Parks Fund  
For the Fiscal Years Ended December 31, 19X8 and 19X7

<table>
<thead>
<tr>
<th></th>
<th>19X8</th>
<th></th>
<th>Variance— Favorable</th>
<th>19X7</th>
<th></th>
<th>Variance— Favorable</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Budget</td>
<td>Actual</td>
<td>(Unfavorable)</td>
<td>Budget</td>
<td>Actual</td>
<td>(Unfavorable)</td>
</tr>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Taxes:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
<td>$ (XXX)</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
<td>$ (XXX)</td>
</tr>
<tr>
<td>Penalties and interest on delinquent taxes</td>
<td>XXX</td>
<td>XXX</td>
<td>XXX</td>
<td>XXX</td>
<td>XXX</td>
<td>XXX</td>
</tr>
<tr>
<td><strong>Total Taxes</strong></td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
<td>(XXX)</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
<td>(XXX)</td>
</tr>
<tr>
<td><strong>Miscellaneous Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rents and royalties</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>(XXX)</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX</td>
</tr>
<tr>
<td>Interest revenue</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX</td>
</tr>
<tr>
<td><strong>Total Miscellaneous Revenues</strong></td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>(XXX)</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>(XXX)</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX</td>
</tr>
<tr>
<td><strong>Expenditures:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Culture and Recreation:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supervision of parks</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX</td>
</tr>
<tr>
<td>Parkways and boulevards</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX</td>
</tr>
<tr>
<td>Park areas</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX</td>
</tr>
<tr>
<td>Park lighting</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX</td>
</tr>
<tr>
<td>Park policing</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX</td>
</tr>
<tr>
<td>Forestry and nursery</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX</td>
</tr>
<tr>
<td><strong>Excess or Revenues over (under) Expenditures</strong></td>
<td>(XXX)</td>
<td>XXX</td>
<td>XXX</td>
<td>—</td>
<td>(XXX)</td>
<td>(XXX)</td>
</tr>
<tr>
<td>Fund Balance—January 1</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX</td>
<td>XXX,XXX</td>
<td>XXX,XXX</td>
<td>XXX</td>
</tr>
<tr>
<td>Fund Balance—December 31</td>
<td>$ XXX,XXX</td>
<td>$ XXX,XXX</td>
<td>$ XXX</td>
<td>$ XXX,XXX</td>
<td>$ XXX,XXX</td>
<td>$(XXX)</td>
</tr>
</tbody>
</table>

[Adapted from NCGA 1, App. A, Example 8]
NAME OF GOVERNMENT

Statement of Changes in Assets and Liabilities—All Agency Funds

For the Fiscal Year Ended December 31, 19X8

<table>
<thead>
<tr>
<th></th>
<th>Balance January 1, 19X8</th>
<th>Additions</th>
<th>Deductions</th>
<th>Balance December 31, 19X8</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SPECIAL PAYROLL FUND</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$ X,XXX</td>
<td>$ X,XXX</td>
<td>$ X,XXX</td>
<td>$ X,XXX</td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vouchers payable</td>
<td>$ X,XXX</td>
<td>$ X,XXX</td>
<td>$ X,XXX</td>
<td>$ X,XXX</td>
</tr>
<tr>
<td><strong>PROPERTY TAX FUND</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$ X,XXX</td>
<td>$ X,XXX</td>
<td>$ X,XXX</td>
<td>$ X,XXX</td>
</tr>
<tr>
<td>Taxes receivable (net of allowances for uncollectibles)</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to Other Taxing Units:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>County</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
</tr>
<tr>
<td>Special district</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
</tr>
<tr>
<td><strong>STUDENT ACTIVITY FUND</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$ X,XXX</td>
<td>$ X,XXX</td>
<td>$ X,XXX</td>
<td>$ X,XXX</td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to student groups</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>$X,XXX</td>
<td>$X,XXX</td>
<td>$X,XXX</td>
<td>$X,XXX</td>
</tr>
<tr>
<td><strong>TOTALS—ALL AGENCY FUNDS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$ X,XXX</td>
<td>$ X,XXX</td>
<td>$ X,XXX</td>
<td>$ X,XXX</td>
</tr>
<tr>
<td>Taxes receivable (net of allowances for uncollectibles)</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vouchers payable</td>
<td>$ X,XXX</td>
<td>$ X,XXX</td>
<td>$ X,XXX</td>
<td>$ X,XXX</td>
</tr>
<tr>
<td>Due to other taxing units</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to student groups</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
</tr>
</tbody>
</table>

[Adapted from NCQA 1, App. B, Example 9]
Unqualified Opinion on General-Purpose Financial Statements and
Supplementary Schedule of Expenditures of Federal Awards—Governmental Entity

Independent Auditor’s Report

[Addressee]

We have audited the accompanying general-purpose financial statements of the City of Example, Any State, as of and for the year ended June 30, 19X1, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City of Example’s management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Example, Any State, as of June 30, 19X1, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated [date of report] on our consideration of the City of Example’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

[Signature]

[Date]

1 Auditors may also refer to the AICPA Audit and Accounting Guide Audits of State and Local Governmental Units for additional guidance on reporting on the general-purpose financial statements of a government.

2 The standards applicable to financial audits include the general, fieldwork, and reporting standards described in chapters 3, 4, and 5 of Government Auditing Standards.

3 The following paragraph should be deleted if the schedule of expenditures of federal awards is not presented with the general-purpose financial statements (that is, a separate single audit package is issued). In such a circumstance, the required reporting on the schedule may be incorporated in the report issued to meet the requirements of Circular A-133. See footnotes 28 and 34 for additional guidance.

4 If the auditor is reporting on additional supplementary information (for example, combining and individual fund and account group financial statements and schedules), this paragraph should be modified to describe the additional supplementary information. The example reports in appendix A of the AICPA Audit and Accounting Guide Audits of State and Local Governmental Units and SAS No. 29, Reporting on Information Accompanying the Basic Financial Statements in Auditor-Submitted Documents (AICPA, Professional Standards, vol. 1, AU sec. 551), provide useful guidance.

5 When reporting on the supplementary information, the auditor should consider the effect of any modifications to the report on the general-purpose financial statements. Furthermore, if the report on supplementary information is other than unqualified, this paragraph should be modified. Guidance for reporting in these circumstances is described in paragraphs 9 through 11, 13, and 14 of SAS No. 29 (AICPA, Professional Standards, vol. 1, AU sec. 551.09-.11, 13, and .14).
Report on Compliance and on Internal Control Over Financial Reporting\(^6\)
Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards (No Reportable Instances of Noncompliance and No Material Weaknesses [No Reportable Conditions Identified])\(^7\)

[Addressee]
We have audited the financial statements of Example Entity as of and for the year ended June 30, 19X1, and have issued our report thereon dated August 15, 19X1.\(^8\) We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards,\(^9\) issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Example Entity's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.\(^10\),\(^11\)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Example Entity's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the 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 over financial reporting and its operation that we consider to be material weaknesses.\(^12\)

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\(^6\) See paragraph 4.12 for a description of internal control over financial reporting.

\(^7\) The auditor should use the portions of paragraphs .23 and .24 that apply to a specific auditee situation. For example, if the auditor will be giving an unqualified opinion on compliance but has identified reportable conditions, the compliance section of this report would be used along with the internal control section of paragraph .24. Alternatively, if the auditor will be giving a qualified opinion on compliance but has not identified reportable conditions, the internal control section of this report would be used along with the compliance section of paragraph .24.

\(^8\) Describe any departure from the standard report (for example, a qualified opinion, a modification as to consistency because of a change in accounting principle, or a reference to the report of other auditors).

\(^9\) See footnote 2.

\(^10\) See paragraphs 5.18 and 5.19 of Government Auditing Standards for the criteria for reporting.

\(^11\) If the auditor has issued a separate letter to management to communicate matters that do not meet the criteria for reporting in paragraph 5.18 of Government Auditing Standards, this paragraph should be modified to include a statement such as the following: "However, we noted certain immaterial instances of noncompliance, which we have reported to management of Example Entity in a separate letter dated August 15, 19X1." This reference to management is intended to be consistent with paragraph 5.20 of Government Auditing Standards which indicates that communications to "top" management should be referred to.

\(^12\) If the auditor has issued a separate letter to management to communicate other matters involving the design and operation of the internal control over financial reporting, this paragraph should be modified to include a statement such as the following: "However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Example Entity in a separate letter dated August 15, 19X1." This reference is not intended to preclude the auditor from including other matters in the separate letter to management. Furthermore, the reference to management is intended to be consistent with paragraph 5.28 of Government Auditing Standards which indicates that communications to "top" management should be referred to.
This report is intended solely for the information and use of the audit committee, management, [specify legislative or regulatory body], and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.13, 14

[Signature]

[Date]

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13 If this report is issued for an audit that is not subject to Circular A-133, this sentence should be modified as follows: “This report is intended solely for the information and use of the audit committee, management, and [specify legislative or regulatory body] and is not intended to be and should not be used by anyone other than these specified parties.”

14 This paragraph conforms to SAS 87, Restricting the Use of an Auditor’s Report (AU 532). See SAS 87 for additional guidance on restricted-use reports.
Report on Compliance and on Internal Control Over Financial Reporting\textsuperscript{15}
Based on an Audit of Financial Statements Performed in Accordance
With Government Auditing Standards (Reportable Instances of
Noncompliance and Reportable Conditions Identified)\textsuperscript{16}

[Addressee]

We have audited the financial statements of Example Entity as of and for the year ended June 30, 19X1, and have issued our report thereon dated August 15, 19X1.\textsuperscript{17} We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards,\textsuperscript{18} issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Example Entity's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards\textsuperscript{19} and which are described in the accompanying schedule of findings and questioned costs as items [list the reference numbers of the related findings, for example, 97-2 and 97-5].\textsuperscript{20}

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Example Entity's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Example Entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items [list the reference numbers of the related findings, for example, 97-1, 97-4, and 97-8].

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the 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 over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions.

\textsuperscript{15} See footnote 6.
\textsuperscript{16} See footnote 7.
\textsuperscript{17} See footnote 8.
\textsuperscript{18} See footnote 2.
\textsuperscript{19} See footnote 10.
\textsuperscript{20} If the auditor has issued a separate letter to management to communicate matters that do not meet the criteria for reporting in paragraph 5.18 of Government Auditing Standards, this paragraph should be modified to include a statement such as the following: "We also noted certain immaterial instances of noncompliance, which we have reported to management of Example Entity in a separate letter dated August 15, 19X1." This reference to management is intended to be consistent with chapter 5, paragraph 5.20 of Government Auditing Standards, which indicates that communications to "top" management should be referred to.
that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.\footnote{If conditions believed to be material weaknesses are disclosed, the report should identify the material weaknesses that have come to the auditor's attention. The last sentence of this paragraph should be replaced with language such as the following: "However, of the reportable conditions described above, we consider items [list the reference numbers of the related findings, for example, 97-1 and 97-8] to be material weaknesses."} \footnote{If the auditor has issued a separate letter to management to communicate other matters involving the design and operation of the internal control over financial reporting, this paragraph should be modified to include a statement such as the following: "We also noted other matters involving the internal control over financial reporting, which we have reported to management of Example Entity in a separate letter dated August 15, 19X1." This reference is not intended to preclude the auditor from including other matters in the separate letter to management. Furthermore, the reference to management is intended to be consistent with paragraph 5.28 of \textit{Government Auditing Standards} which indicates that communications to "top" management should be referred to.}

This report is intended solely for the information and use of the audit committee, management, [\textit{specify legislative or regulatory body}], and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.\footnote{If this report is issued for an audit that is not subject to Circular A-133, this sentence should be modified as follows: "This report is intended solely for the information and use of the audit committee, management, and [\textit{specify legislative or regulatory body}] and is not intended to be and should not be used by anyone other than these specified parties." All references to the schedule of findings and questioned costs should also be removed, and instead, a description of the findings should be included in the report.} \footnote{See footnote 14.}
Compliance

We have audited the compliance of Example Entity with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 19X1. Example Entity's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Example Entity's management. Our responsibility is to express an opinion on Example Entity’s compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Example Entity’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Example Entity’s compliance with those requirements.

In our opinion, Example Entity complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 19X1. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items [list the reference numbers of the related findings, for example, 97-3 and 97-6].

Internal Control Over Compliance

The management of Example Entity is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Example Entity’s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design
or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program 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 over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, specify legislative or regulatory body, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

[Signature]

[Date]

28 As noted in notes 3 and 9, there may be instances in which it would be appropriate to report on the schedule of expenditures of federal awards in this report (that is, a separate single audit package is issued). In such a circumstance, a new section should be added immediately following this paragraph as follows:

Schedule of Expenditures of Federal Awards
We have audited the [general-purpose or basic] financial statements of Example Entity as of and for the year ended June 30, 19X1, and have issued our report thereon dated August 15, 19X1. Our audit was performed for the purpose of forming an opinion on the [general-purpose or basic] financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the [general-purpose or basic] financial statements. Such information has been subjected to the auditing procedures applied in the audit of the [general-purpose or basic] financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the [general-purpose or basic] financial statements taken as a whole.

Describe any departure from the standard report (for example, a qualified opinion, a modification as to consistency because of a change in accounting principle, or a reference to the report of other auditors). Auditors should also refer to notes 5 and 11 for additional guidance.

29 See footnote 14.
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 (Qualified Opinion on Compliance and Reportable Conditions Identified)\textsuperscript{30}

[Addressee]

Compliance

We have audited the compliance of Example Entity with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 19X1. Example Entity’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Example Entity’s management. Our responsibility is to express an opinion on Example Entity’s compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards,\textsuperscript{31} issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Example Entity’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Example Entity’s compliance with those requirements.

As described in item [list the reference numbers of the related findings, for example, 97-10] in the accompanying schedule of findings and questioned costs, Example Entity did not comply with requirements regarding [identify the type(s) of compliance requirement] that are applicable to its [identify the major federal program]. Compliance with such requirements is necessary, in our opinion, for Example Entity to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Example Entity complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 19X1.\textsuperscript{32}

Internal Control Over Compliance

The management of Example Entity is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Example Entity’s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to

\textsuperscript{30} See footnote 25.

\textsuperscript{31} See footnote 2.

\textsuperscript{32} When other instances of noncompliance are identified in the schedule of findings and questioned costs as required by Circular A-133, the following sentence should be added: “The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items [list the reference numbers of the related findings, for example, 97-3 and 97-6].”
significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Example Entity's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items [list the reference numbers of the related findings, for example, 97-7, 97-8, and 97-9].

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program 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 over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.33, 34

This report is intended solely for the information and use of the audit committee, management, [specify legislative or regulatory body], and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.35

[Signature]
[Date]

33 See footnote 21.
34 See footnote 28.
35 See footnote 14.
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133
(Qualified Opinion on Compliance—Scope Limitation for One Major Program, Unqualified Opinion on Compliance for Other Major Programs, Reportable Conditions Identified)

[Addressee]

Compliance

We have audited the compliance of Example Entity with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 19X1. Example Entity’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Example Entity’s management. Our responsibility is to express an opinion on Example Entity’s compliance based on our audit.

Except as discussed in the following paragraph, we conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards,36 issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Example Entity’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Example Entity’s compliance with those requirements.

We were unable to obtain sufficient documentation supporting the compliance of Example Entity with [identify the major federal program] regarding [identify the type(s) of compliance requirement], nor were we able to satisfy ourselves as to Example Entity’s compliance with those requirements by other auditing procedures.

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding Example Entity’s compliance with the requirements of [identify the major federal program] regarding [identify the type(s) of compliance requirement], Example Entity complied, in all material respects, with the requirements referred to above that are applicable to each of its other major federal programs for the year ended June 30, 19X1.37

Internal Control Over Compliance

The management of Example Entity is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Example Entity’s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our

36 See footnote 2.
37 See footnote 32.
judgment, could adversely affect Example Entity's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items (list the reference numbers of the related findings, for example, 97-7, 97-8, and 97-9).

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program 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 over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.38, 39

This report is intended solely for the information and use of the audit committee, management, [specify legislative or regulatory body], and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.40

[Signature]

[Date]

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38 See footnote 21.
39 See footnote 28.
40 See footnote 14.
Compliance

We have audited the compliance of Example Entity with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 19X1. Example Entity's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Example Entity's management. Our responsibility is to express an opinion on Example Entity's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Example Entity's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Example Entity's compliance with those requirements.

As described in items [list the reference numbers of the related findings, for example, 97-10, 97-11, and 97-12] in the accompanying schedule of findings and questioned costs, Example Entity did not comply with requirements regarding [identify the types of compliance requirements] that are applicable to its [identify the major federal program]. Compliance with such requirements is necessary, in our opinion, for Example Entity to comply with requirements applicable to that program.

In our opinion, because of the effects of the noncompliance described in the preceding paragraph, Example Entity did not comply in all material respects, with the requirements referred to above that are applicable to [identify the major federal program]. Also, in our opinion, Example Entity complied, in all material respects, with the requirements referred to above that are applicable to each of its other major federal programs for the year ended June 30, 19X1.42

Internal Control Over Compliance

The management of Example Entity is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Example Entity's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to

41 See footnote 2.
42 See footnote 32.
significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Example Entity's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items [list the reference numbers of the related findings, for example, 97-7, 97-8, and 97-9].

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program 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 over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items [list the reference numbers of the related findings, for example, 97-8 and 97-9] to be material weaknesses.43

This report is intended solely for the information and use of the audit committee, management, [specify legislative or regulatory body], and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.44

[Signature]

[Date]
Independent Auditor's Report

We have audited the accompanying schedule of expenditures of federal awards for the [identify the federal program] of Example Entity for the year ended June 30, 19X1. This financial statement is the responsibility of Example Entity's management. Our responsibility is to express an opinion on the financial statement of the program based on our audit.45

We conducted our audit in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards,46 issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and the 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 schedule of expenditures of federal awards referred to above47 presents fairly, in all material respects, the expenditures of federal awards under the [identify the federal program] in conformity with generally accepted accounting principles.48, 49

[Signature]

[Date]

45 In many cases, the financial statements of the program will consist only of the schedule of expenditures of federal awards (and notes to the schedule), which is the minimum financial statement presentation required by section 235 of Circular A-133. If the auditee issues financial statements that consist of more than the schedule, this paragraph should be modified to describe the financial statements. Also refer to paragraph 11.10 for a discussion of the possible necessity to issue a separate report to meet the reporting requirements of Government Auditing Standards.

46 See footnote 2.

47 If the auditee issues financial statements that consist of more than the schedule, this sentence should be modified to identify the results displayed in the financial presentation.

48 The auditor should follow the guidance in SAS No. 62, Special Reports when the auditee prepares the financial statement of the program in conformity with a basis of accounting other than GAAP.

49 If a separate report is issued to meet the reporting requirements of Government Auditing Standards (see paragraph 11.10), an additional paragraph should be added as follows: "In accordance with Government Auditing Standards, we have also issued our report dated [date of report] on our consideration of Example Entity's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants."
Report on Compliance With Requirements Applicable to the Federal Program and on Internal Control Over Compliance in Accordance With the Program-Specific Audit Option Under OMB Circular A-133\(^5\) (Unqualified Opinion on Compliance and No Material Weaknesses [No Reportable Conditions Identified])\(^6\)

[Addressee]

Compliance

We have audited the compliance of Example Entity with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to [identify the federal program] for the year ended June 30, 19X1. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Example Entity’s management. Our responsibility is to express an opinion on Example Entity’s compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards,\(^5\)\(^2\) issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on [identify the federal program] occurred.

An audit includes examining, on a test basis, evidence about Example Entity’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Example Entity’s compliance with those requirements.

In our opinion, Example Entity complied, in all material respects, with the requirements referred to above that are applicable to its [identify the federal program] for the year ended June 30, 19X1. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items [list the reference numbers of the related findings, for example, 97-1 and 97-2].\(^5\)\(^3\)

Internal Control Over Compliance

The management of Example Entity is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Example Entity’s internal control over compliance with requirements that could have a direct and material effect on its [identify the federal program] in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design

\(^5\)\(^0\) This is an example of a report on a program-specific audit under Circular A-133 when no federal audit guide applicable to the program being audited is available. When a federal audit guide applicable to the program is available, Circular A-133 requires that the auditor follow the reporting requirements of that federal audit guide (see paragraph 11.4 for a discussion of the auditor’s responsibility when a program-specific audit guide is not current).

\(^6\)\(^1\) If issuing a qualified or adverse opinion on compliance, the auditor should modify the compliance section of this report to be consistent with the wording used in paragraphs .26 or .28, accordingly. If reporting reportable conditions, including material weaknesses, the auditor should modify the internal control section of this report to be consistent with the wording used in paragraph .26.

\(^5\)\(^2\) See footnote 2.

\(^5\)\(^3\) See footnote 27.
or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program 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 over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, [specify legislative or regulatory body], and the federal awarding agency and pass-through entity and is not intended to be and should not be used by anyone other than these specified parties.54

[Signature]

[Date]

54 See footnote 14.
Illustrative Schedule of Findings and Questioned Costs
Example Entity
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 19X1

Section I—Summary of Auditor’s Results

Financial Statements
Type of auditor’s report issued [unqualified, qualified, adverse, or disclaimer]:
Internal control over financial reporting:
• Material weakness(es) identified? ______ yes ______ no
• Reportable condition(s) identified that are not considered to be material weaknesses? ______ yes ______ none reported
Noncompliance material to financial statements noted? ______ yes ______ no

Federal Awards
Internal control over major programs:
• Material weakness(es) identified? ______ yes ______ no
• Reportable condition(s) identified that are not considered to be material weakness(es)? ______ yes ______ none reported
Type of auditor’s report issued on compliance for major programs [unqualified, qualified, adverse, or disclaimer]:
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ______ yes ______ no
Identification of major programs:

<table>
<thead>
<tr>
<th>CFDA Number(s)</th>
<th>Name of Federal Program or Cluster</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Dollar threshold used to distinguish between type A and type B programs: $__________
Auditee qualified as low-risk auditee? ______ yes ______ no

55 If the audit report for one or more major programs is other than unqualified, indicate the type of report issued for each program. For example, if the audit report on major program compliance for an auditee having five major programs includes an unqualified opinion for three of the programs, a qualified opinion for one program, and a disclaimer of opinion for one program, the response to this question could be as follows: “Unqualified for all major programs except for [name of program], which was qualified and [name of program], which was a disclaimer.”

56 Major programs should generally be identified in the same order as reported on the schedule of expenditures of federal awards.

57 When the CFDA number is not available, include other identifying number, if applicable.

58 The name of the federal program or cluster should be the same as that listed in the schedule of expenditures of federal awards. For clusters, auditors are only required to list the name of the cluster and not each individual program within the cluster.
Section II—Financial Statement Findings

(This section identifies the reportable conditions, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of Government Auditing Standards. Auditors should refer to those paragraphs, as well as the reports content section of chapter 7 of Government Auditing Standards, for additional guidance on preparing this section of the schedule.

Identify each finding with a reference number. If there are no findings, state that no matters were reported. Audit findings that relate to both the financial statements and federal awards should be reported in both section II and section III. However, the reporting in one section may be in summary form with a reference to a detailed reporting in the other section of the schedule. For example, a material weakness in internal control that effects an entity as a whole, including its federal awards, would generally be reported in detail in this section. Section III would then include a summary identification of the finding and a reference back to the specific finding in this section. Each finding should be presented in the following level of detail, as applicable:

- Criteria or specific requirement
- Condition
- Questioned costs
- Context
- Effect
- Cause
- Recommendation
- Management’s response

Section III—Federal Award Findings and Questioned Costs

(This section identifies the audit findings required to be reported by section 510(a) of Circular A-133 (for example, reportable conditions, material weaknesses, and instances of noncompliance, including questioned costs). Where practical, findings should be organized by federal agency or pass-through entity.

Identify each finding with a reference number. If there are no findings, state that no matters were reported. Audit findings that relate to both the financial statements and federal awards should be reported in both section II and section III. However, the reporting in one section may be in summary form with a reference to a detailed reporting in the other section of the schedule. For example, a finding of noncompliance with a federal program law that is also material to the financial statements would generally be reported in detail in this section. Section II would then include a summary identification of the finding and a reference back to the specific finding in this section. Each finding should be presented in the following level of detail, as applicable:

- Information on the federal program
- Criteria or specific requirement (including statutory, regulatory, or other citation)

59 A suggested format for assigning reference numbers is to use the last two digits of the fiscal year being audited, followed by a numeric sequence of findings. For example, findings identified and reported in the audit of fiscal year 1997 would be assigned reference numbers of 97-1, 97-2, etc.

60 Provide sufficient information for judging the prevalence and consequences of the finding, such as the relation to the universe of costs and/or the number of items examined and quantification of audit findings in dollars.

61 See paragraphs 5.18 through 5.20 and 7.38 through 7.42 of Government Auditing Standards for additional guidance on reporting management’s response.

62 See footnote 59.

63 Provide the federal program (CFDA number and title) and agency, the federal award’s number and year, and the name of the pass-through entity, if applicable. When this information is not available, the auditor should provide the best information available to describe the federal award.
• Condition
• Questioned costs
• Context
• Effect
• Cause
• Recommendation
• Management's response

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64 Include facts that support the deficiency identified in the audit finding.
65 Identify questioned costs as required by sections 510(a)(3) and 510(a)(4) of Circular A-133.
66 See footnote 60.
67 To the extent practical, indicate when management does not agree with the finding, questioned cost, or both.
Comment Letter

We welcome any comments and suggestions you have regarding this Checklist. Please send this completed form to: AICPA Accounting and Auditing Publications Team, Harborside Financial Center, 201 Plaza Three, Jersey City, NJ, 07311-3881. Thank you.

Checklist Title: ____________________________________________________________

Comments and Suggestions:
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