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State and Local Governments



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APRIL 30, 2012

CHECKLISTS & ILLUSTRATIVE FINANCIAL STATEMENTS

State and Local Governments

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April 30, 2012

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State and Local Governments

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Checklists and Illustrative Financial Statements for State and Local Governments has not been approved, disapproved, or otherwise acted upon by any senior technical committees of the American Institute of Certified Public Accountants or the Governmental 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 Governments

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Introduction

Incorporation of GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, in This Checklist

This edition of *Checklists and Illustrative Financial Statements for State and Local Governments* has been updated for Governmental Accounting Standards Board (GASB) Statement No. 62, which is effective for financial statements for periods beginning after December 15, 2011, with early application encouraged. However, this edition retains those items from the 2011 edition for use by governments with fiscal periods prior to the effective date of GASB Statement No. 62 that do not elect to early apply its provisions.

Prior to the issuance of GASB Statement No. 62, a number of individual GASB pronouncements made certain AICPA and Financial Accounting Standards Board (FASB) pronouncements specifically applicable to governmental entities. For example, GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, requires the application of certain pronouncements of FASB and its predecessor standards-setting organizations issued on or before November 30, 1989, and permits the application of later FASB pronouncements in certain situations.

GASB Statement No. 62 incorporates guidance that previously could only be found in certain FASB and AICPA pronouncements (collectively referred to as the "FASB and AICPA pronouncements in GASB Statement No. 62"). In addition, GASB Statement No. 62 supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, and amends or supersedes various other GASB and National Council on Governmental Accounting (NCGA) standards and interpretations. The specific paragraphs and footnotes of the various GASB and NCGA standards and interpretations that are amended or superseded upon the effective date of GASB Statement No. 62 are identified in paragraph 4 of GASB Statement No. 62.

(continued)

GASB Statement No. 62 incorporates into the GASB's authoritative literature the applicable guidance previously presented in the following pronouncements issued November 30, 1989, and prior:

- a. FASB statements and interpretations
- b. Accounting Principles Board (APB) Opinions
- c. Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure

Certain FASB and AICPA pronouncements were excluded from GASB Statement No. 62 because GASB believes these pronouncements (a) conflict with or contradict GASB pronouncements or (b) rarely apply to state and local governments. Users of these checklists may find more information regarding GASB Statement No. 62 at www.gasb.org.

Generally, GASB Statement No. 62 will affect state and local governments as follows:

- FASB and AICPA pronouncements issued on or before November 30, 1989, become *other accounting literature* in the hierarchy of generally accepted accounting principles (GAAP) for state and local governments.
- The election in paragraph 7 of GASB Statement No. 20, as amended, allowing enterprise funds and business-type activities to apply post-November 30, 1989, FASB statements and interpretations that do not conflict with or contradict GASB pronouncements is eliminated.¹
- Enterprise funds and business-type activities can continue to apply, as *other accounting literature*, post November 30, 1989, FASB statements and interpretations that do not conflict with or contradict GASB pronouncements.

Because the effective date for GASB Statement No. 62 is not until periods beginning after December 15, 2011, and due to the fact that there may be some governments that elect not to apply the new statement early, references to FASB pronouncements and predecessor standards-setting organization pronouncements continue to be included throughout these checklists. Such references are also updated in these checklists for the provisions of GASB Statement No. 62.

Governments that elect to apply the provisions of GASB Statement No. 62 prior to the effective date will need to carefully review GASB Statement No. 62 and also ensure that any general or specific references to FASB and AICPA pronouncements issued on or before November 30, 1989, are removed from the financial statements and the notes thereto.

The references to FASB pronouncements in these checklists are updated for the provisions of GASB Statement No. 62. For ease of reference, these checklists continue to use the original FASB pronouncement references rather than those of FASB *Accounting Standards Codification*[™].

.01 This publication includes the following information:

- **Financial Statements and Notes Checklist (section 13,100).** This checklist can be used by preparers of governmental financial statements prepared in conformity with GAAP and by practitioners who audit, review, or compile those financial statements as they evaluate the adequacy of disclosures made in the basic financial statements, notes to the financial statements, and required supplementary information (RSI), supplementary information (SI), and other information (OI).

¹ Governments that do not elect to apply the provisions of Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, prior to the effective date will continue to apply GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, until the earlier of the effective date of GASB Statement No. 62 or when they first apply the provisions of GASB Statement No. 62.

- **Auditors' Reports Checklist for Audits Performed in Accordance With Generally Accepted Auditing Standards (section 13,200).** This checklist can be used by auditors in reporting on audits of financial statements in accordance with generally accepted auditing standards (GAAS).
- **Auditors' Reports Checklist for Audits Performed in Accordance With *Government Auditing Standards* and OMB Circular A-133 (section 13,300).** This checklist can be used by auditors in reporting on financial audits of financial statements in accordance with the Government Accountability Office's *Government Auditing Standards* (also referred to as the Yellow Book), issued by the Comptroller General of the United States, and on audits performed under the Single Audit Act Amendments of 1996 and Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.
- **Illustrative Financial Statements (section 13,400).** These illustrative financial statements demonstrate financial statement formats and disclosures appropriate for state and local governments.

.02 These checklists consider relevant pronouncements through those in the following listing. Users should modify the checklists, as appropriate, for subsequent standards. In determining the applicability of a pronouncement, its effective date also should be considered.

The checklists have been updated to include relevant accounting and auditing pronouncements through the following:

- GASB Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*
- GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements—an interpretation of NCGA Statements 1, 4, and 5; NCGA Interpretation 8; and GASB Statements No. 10, 16, and 18*
- GASB Technical Bulletin No. 2008-1, *Determining the Annual Required Contribution Adjustment for Postemployment Benefits*
- GASB Comprehensive Implementation Guide 2011–12 as of June 30, 2011
- AICPA Statement of Position 09-1, *Performing Agreed-Upon Procedures Engagements That Address the Completeness, Accuracy, or Consistency of XBRL-Tagged Data* (AICPA, *Technical Practice Aids*, AUD sec. 14,440)
- *Government Auditing Standards, July 2007 Revision*²
- OMB Circular A-133, as revised on June 26, 2007
- AICPA Practice Bulletin No. 15, *Accounting by the Issuer of Surplus Notes*
- Statement on Auditing Standards (SAS) No. 125, *Alert That Restricts the Use of the Auditor's Written Communication* (AICPA, *Professional Standards*, AU-C sec. 905)
- Interpretation No. 19, "Financial Statements Prepared in Conformity With International Financial Reporting Standards as Issued by the International Accounting Standards Board," of AU section 508, *Reports on Audited Financial Statements* (AICPA, *Professional Standards*, AU sec. 9508 par. .93–.97)
- Revised interpretations issued through March 31, 2012, including Interpretation No. 4, "Appropriateness of Identifying No Significant Deficiencies or No Material Weaknesses in an Interim Communication," of AU section 325, *Communicating Internal Control Related Matters Identified in an Audit* (AICPA, *Professional Standards*, AU sec. 9325 par. .11–.13)
- AICPA Audit and Accounting Guide *State and Local Governments* (as of March 1, 2012)

² In December 2011, the U.S. Government Accountability Office issued *Government Auditing Standards, December 2011 Revision*. This revision supersedes a previously released version of the standards titled *2011 Internet Version of Government Auditing Standards* (interim revision) that was issued in August 2011. The effective date of the 2011 revision for financial audits and attestation engagements is for periods ending on or after December 15, 2012, which is the same effective date as the clarified auditing standards recently issued by the AICPA. It is effective for performance audits beginning on or after December 15, 2011. Early implementation is not permitted.

- AICPA Audit Guide Government Auditing Standards and Circular A-133 Audits (as of February 1, 2012)

The illustrative financial statements should be modified, as appropriate, for subsequent pronouncements. In determining the applicability of a pronouncement, its effective date should also be considered.

.03 These checklists and illustrative materials have been developed by the AICPA Accounting and Auditing Publications Staff to serve as nonauthoritative practice aids for use by preparers and auditors for the financial statements of and federal financial assistance received by state and local governments. The Audit and Accounting Guide *State and Local Governments* defines those entities that are state and local governments. This publication is an *other auditing publication* as defined in AU section 150, *Generally Accepted Auditing Standards* (AICPA, *Professional Standards*). Other auditing publications have no authoritative status; however, they may help the auditor understand and apply SAs:

- The financial statements and notes checklist includes disclosures—whether in the basic financial statements, the notes to the financial statements, or RSI—that preparers and auditors should consider in governmental financial statements prepared in accordance with GAAP. The provisions of accounting and financial reporting standards, including disclosure provisions, need not be applied to immaterial items. The checklist does not include recognition and measurement issues relating to preparing governmental financial statements. It also does not address additional disclosures applicable only to “GASB defined” supplementary information other than RSI that accompanies a government’s basic financial statements (for example, in a Comprehensive Annual Financial Report),³ specialized disclosure requirements for governmental health care organizations and public entity risk pools contained in the Audit and Accounting Guides *Health Care Entities* and *Property and Liability Insurance Entities*, or disclosures required by pronouncements that are deemed remote for governmental financial statements. The items in the checklist, for those governments not electing to implement GASB Statement No. 62 prior to its effective date, that are derived solely from private-sector standards (such as those promulgated by FASB and the APB) may have limited applicability for governmental financial statements. To determine the applicability of private-sector pronouncements to governmental financial statements, see GASB Statement No. 20, as amended by GASB Statement No. 29, *The Use of Not-for-Profit Accounting and Financial Reporting Principles by Governmental Entities*, and No. 34, and GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.⁴
- The auditors’ reports checklists address those requirements most likely to be encountered when reporting on GAAS and generally accepted government auditing standards audits of governmental financial statements prepared in conformity with GAAP and reporting on compliance over major programs in accordance with OMB Circular A-133. They do not include reporting requirements relating to other matters, such as agreed-upon procedures or other attestation engagements.

.04 Additional guidance concerning governmental financial reporting is provided in the AICPA Practice Aid *Applying OCBOA in State and Local Governmental Financial Statements* (product no. 006614).⁵

.05 These checklists sometimes use the term *financial position statements* in a generic manner to refer to one or more of the following: the government-wide statement of net assets (or net position), the governmental funds balance sheet, the proprietary funds statement of fund net assets (or net position) or balance sheet, and the fiduciary funds statement of fiduciary net assets (or net position). These checklists also sometimes use the term *activity statements* in a generic manner to refer to one or more of the following: the government-wide statement of activities; the governmental funds statement of revenues, expenditures, and changes in fund balances; the proprietary funds statement of revenues, expenses, and changes in fund net

³ For example, the financial statements and notes checklist does not address the provisions of GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section—an amendment of NCGA Statement 1*, which establishes and modifies requirements for the supplementary information presented in a statistical section that accompanies the basic financial statements.

⁴ See the discussion of GASB Statement No. 62 at the beginning of this section.

⁵ The AICPA’s Practice Aid *Applying OCBOA in State and Local Governmental Financial Statements* is currently being updated; a release is scheduled in summer 2012.

assets (or net position) or fund equity; and the fiduciary funds statement of changes in fiduciary net assets (or net position).

.06 These checklists contain references to authoritative accounting and auditing standards using the following abbreviations and acronyms:

A-133 = OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (June 2007 revision)

AAG-SLA = AICPA Audit Guide Government Auditing Standards and Circular A-133 Audits (as of February 1, 2012)

AAG-SLV = AICPA Audit and Accounting Guide *State and Local Governments* (as of March 1, 2012)

ACC = Reference to a section number in AICPA *Technical Practice Aids*, Statements of Position—Accounting

APB = APB Opinion

ARB = Accounting Research Bulletin

AU = Reference to section number in AICPA *Professional Standards*

AU-C = Reference to clarified section number in AICPA *Professional Standards*

GAS = *Government Auditing Standards*, July 2007 Revision

GASB = GASB Statement

GASB Cod. sec. = *Codification of Governmental Accounting and Financial Reporting Standards* by GASB (pronouncements issued and effective through June 30, 2011)

GTB = Technical Bulletin issued by GASB staff

NCGA = National Council on Governmental Accounting Statement

NCGAI = National Council on Governmental Accounting Interpretation

Q&A = *GASB Comprehensive Implementation Guide 2011–12*, as of June 30, 2011

.07 The checklists provide spaces for checking off or initialing each question or point to indicate that it has been considered. Carefully review the topics listed and consider whether they represent potential disclosure items for the reporting entity for which you are preparing or auditing financial statements. Users should check or initial

- **Yes**—If the item is required and has been made appropriately.
- **No**—If the item is required but has not been made.
- **N/A**—If the item is not required to be made.

.08 Users may find it helpful to include references to the location in the financial report where each item marked “Yes” can be found. It also may be helpful to include on the checklists or elsewhere the reasons that items marked “N/A” do not apply. It is important that the effect of any “No” response be considered on the auditor’s report. A “No” response that is material to the financial statements may warrant a departure from an unqualified opinion as discussed in paragraphs .20–.64 of AU section 508. If a “No” response is indicated, the authors recommend that a notation be made in the margin to explain why the disclosure was not made (for example, because the item was not considered to be material to the financial statements). A “No” response to a required disclosure that is material may warrant the issuance of a qualified or adverse opinion on the financial statements of the affected opinion unit⁶ or an explanatory paragraph on RSI, SI, or OI. The right margin may be used for other remarks or comments as appropriate, including cross-referencing to applicable work papers where the support to a disclosure may be found.

⁶ See the discussion of opinion units in chapter 4, “General Auditing Considerations,” and chapter 14, “Audit Reporting,” of the Audit and Accounting Guide *State and Local Governments*.

.09 These checklists and illustrative financial statements have been prepared by the AICPA staff. They have not been reviewed, approved, disapproved, or otherwise acted on by any senior technical committee of the AICPA and do not represent official positions or pronouncements of the AICPA.

.10 The use of these or any other checklists requires the exercise of individual professional judgment and should be used by, or under the supervision of, persons having adequate technical training and proficiency in the application of GAAP, GAAS, and other applicable standards and requirements. These checklists and illustrative materials are not substitutes for original authoritative standards and requirements. Users of these checklists are urged to refer directly to applicable standards and requirements when appropriate. The checklists are not all-inclusive and are not intended to present minimum requirements. Users of the checklists are encouraged to tailor them as required to meet specific circumstances of each particular engagement. Users who have further questions may call the AICPA Technical Hotline at 877.242.7212.

FSP Section 13,100

Financial Statements and Notes Checklist

References to Financial Accounting Standards Board Pronouncements in this Checklist

Please refer to the "Introduction" in section 13,000 of this publication for a detailed discussion of Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and its effect on these checklists. GASB Statement No. 62 is effective for periods beginning after December 15, 2011, with earlier application encouraged. GASB Statement No. 62 incorporates guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and AICPA pronouncements. In addition, GASB Statement No. 62 supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, and amends or supersedes various other GASB and National Council on Governmental Accounting (NCGA) standards and interpretations. The specific paragraphs and footnotes of the various GASB and NCGA standards and interpretations that are amended or superseded upon the effective date of GASB Statement No. 62 are identified in paragraph 4 of GASB Statement No. 62. This edition of *Checklists and Illustrative Financial Statements for State and Local Governments* has been updated for GASB Statement No. 62; however, applicable items from the 2011 edition are retained for those governments that do not elect to early apply its provisions.

.01 This checklist can be used by preparers of governmental financial statements prepared in conformity with generally accepted accounting principles (GAAP) and by practitioners who audit, review, or compile those financial statements as they evaluate the adequacy of disclosures made in the basic financial statements, notes to the financial statements, and required supplementary information (RSI). This checklist is organized into the following sections. Carefully review the topics listed and consider whether they represent potential disclosure items for the government. Place a checkmark by those topics or sections considered applicable. Place an N/A by those sections considered not applicable; those sections need not be completed. For example, if the entity does not use the modified approach for infrastructure assets, place an N/A by item C, "Modified Approach for Eligible Infrastructure Assets," in the section titled "Required Supplementary Information."

		<i>Place ✓ by Sections Applicable</i>
I.	General Reporting	
	A. Overview	_____
	B. Comparative Financial Information	_____
	C. Accounting Changes	_____
	D. Prior-Period Adjustments	_____
II.	Government-Wide Financial Statements	
	A. Overview	_____
	B. Statement of Net Assets (or Statement of Net Position)	_____
	C. Statement of Activities	_____

*Place ✓ by
Sections
Applicable*

III.	Fund Financial Statements	
	A. Overview	_____
	B. Governmental Funds	_____
	C. Proprietary Funds	_____
	D. Fiduciary Funds	_____
	E. Interfund Activity and Balances	_____
IV.	Assets, Liabilities, and Net Position	
	A. Financial Instruments	_____
	B. Nonexchange Transactions	_____
	C. Inventories	_____
	D. Capital Assets, Including Intangible Assets	_____
	E. Clearing Account Assets	_____
	F. Liabilities, Including Debt	_____
	G. Net Position	_____
V.	Revenues and Expenses/Expenditures	
	A. Income From Financial Instruments	_____
	B. Nonexchange Transactions	_____
	C. Capital Asset-Related Revenues and Expenses/Expenditures	_____
	D. Other	_____
VI.	Note Disclosures	
	A. Focus of Note Disclosures	_____
	B. Summary of Significant Accounting Policies	_____
	C. Financial Instruments	_____
	D. Nonexchange Transactions	_____
	E. Capital Assets Including Intangible Assets	_____
	F. Liabilities, Including Debt	_____
	G. Contingencies and Commitments	_____
	H. Joint Costs That Include Fund Raising	_____
	I. Segment Disclosures	_____
	J. Subsequent Events	_____
	K. Related Parties, Including Component Units	_____
	L. Other Disclosures	_____
VII.	Specialized Topics	
	A. Organizational Relationships, Including Component Units and Joint Ventures	_____
	B. Derivative Instruments	_____
	C. Escheat Property	_____
	D. Governmental External Investment Pools	_____
	E. Landfill Closure and Postclosure Care Costs	_____
	F. Leases	_____
	G. Noninterest-Bearing Receivables and Payables	_____
	H. Employee Benefit Pension Plans	_____
	I. Employee Other Postemployment Benefit Plans	_____

		<i>Place ✓ by Sections Applicable</i>
	J. Pension Benefits—Employer Reporting	_____
	K. Postemployment Benefits Other Than Pensions—Employer Reporting	_____
	L. Pollution Remediation Obligations	_____
	M. Public Entity Risk Pools	_____
	N. Risk Financing and Related Financing Issues—Entities Other Than Risk Pools	_____
	O. Sales and Pledges of Receivables and Future Revenues	_____
	P. Service Concession Arrangements	_____
	Q. Special Assessments	_____
	R. Termination Benefits	_____
	S. Going Concern	_____
	T. Chapter 9 Bankruptcies	_____
VIII.	Required Supplementary Information	
	A. Management's Discussion and Analysis	_____
	B. Budgetary Comparison Schedules	_____
	C. Modified Approach for Eligible Infrastructure Assets	_____
	D. Defined Benefit Pension and Other Postemployment Benefit Plans	_____
	E. Pensions and Postemployment Benefits Other Than Pensions—Employer Reporting	_____
	F. Public Entity Risk Pools	_____
.02	Explanation of References:	
	AAG-SLV = AICPA Audit and Accounting Guide <i>State and Local Governments</i> (as of March 1, 2012)	
	ACC = Reference to a section number in AICPA <i>Technical Practice Aids</i> , Statements of Position—Accounting	
	APB = Accounting Principles Board Opinion	
	ARB = Accounting Research Bulletin	
	AU = Reference to section number in AICPA <i>Professional Standards</i>	
	AU-C = Reference to clarified section number in AICPA <i>Professional Standards</i>	
	GASB = Governmental Accounting Standards Board Statement	
	GASBI = GASB Interpretation	
	GASB Cod. sec. = <i>Codification of Governmental Accounting and Financial Reporting Standards</i> by GASB (as of June 30, 2011)	
	GTB = Technical Bulletin issued by the staff of GASB	
	NCGA = National Council on Governmental Accounting Statement	
	Q&A = GASB <i>Comprehensive Implementation Guide</i> as of June 30, 2011	
	SFAS = FASB Statement of Financial Accounting Standards	

.03 Checklist questionnaire:

I. General Reporting

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
A. Overview			
1. Does the entity's financial report consist of, at a minimum, a management's discussion and analysis (MD&A), basic financial statements (including the notes thereto), and applicable RSI other than MD&A?	_____	_____	_____
2. Except for certain entities as discussed in the following questions 3–5, do the entity's basic financial statements present both government-wide financial statements and fund financial statements? [GASB 34 par. 6 (GASB Cod. sec. 2200.102)]	_____	_____	_____
3. If the entity is a special-purpose government engaged in a single governmental program, has it chosen to combine the fund financial statements and the government-wide financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements rather than at the bottom of the statements or in an accompanying schedule? (Alternatively, a single-program government may present separate government-wide and fund financial statements and may present its government-wide statement of activities using a different format—for example, by presenting a single column that reports expenses first followed by revenues [by major sources], with the resulting net revenue [expense] followed by contributions to permanent and term endowments, special and extraordinary items, transfers, and beginning and ending net assets [or net position.] [GASB 34 par. 136–137 (GASB Cod. sec. Sp20.105–.106) or GASB 34 par. 136, as amended by GASB 63 par. 6]	_____	_____	_____
Entities that have implemented GASB Statement No. 62 may omit question 4.			
4. If the entity is a special-purpose government engaged only in business-type activities, does it present only the financial statements required for enterprise funds? (Note that entities that reported as of June 30, 1999, using AICPA Statement of Position 78-10, <i>Accounting Principles and Reporting Practices for Certain Nonprofit Organizations</i> , or Industry Audit Guide <i>Audits of Voluntary Health and Welfare Organizations</i> but that do not meet the criteria for reporting using enterprise funds, may nevertheless choose to report as special-purpose governments engaged only in business-type activities.) [GASB 29 par. 5, as amended by GASB 34 par. 147 (GASB Cod. sec. Sp20.111); GASB 34 par. 138 (GASB Cod. sec. Sp20.107)]	_____	_____	_____
Entities that have not implemented GASB Statement No. 62 may omit question 5.			
5. If the entity is a special-purpose government engaged only in business-type activities, does it present only the financial statements required for enterprise funds? [GASB 34 par. 138 (GASB Cod. sec. Sp20.107)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
6. If the entity is a special-purpose government engaged only in fiduciary activities, does it present only the financial statements required for fiduciary funds? [GASB 34 par. 139 (GASB Cod. sec. Sp20.108)]	_____	_____	_____
7. Is each financial statement properly titled? [Generally Accepted]	_____	_____	_____
8. Is each page of the basic financial statements referenced to the notes to the financial statements (and to the summary of significant accounting policies, if presented as a stand-alone summary)? [NCGAI 6 par. 8, as amended by GASB 34 par. 6 (GASB Cod. sec. 2300.110)]	_____	_____	_____
B. Comparative Financial Information			
1. If comparative financial statements are presented, are the notes and other disclosures included in the financial statement 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 or GASB 62 par. 52]	_____	_____	_____
2. If changes 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 or GASB 62 par. 53]	_____	_____	_____
3. If prior-period financial information is presented in a partial or summarized manner and does not include the minimum information required by GAAP, is the nature of the prior-period information described by the use of appropriate titles on the face of the financial statements and in a note to the financial statements? [AAG-SLV 2.53]	_____	_____	_____
C. Accounting Changes			
1. Is the implementation of any new GASB standard reported as provided in the transition section of the standard? [Generally Accepted]	_____	_____	_____
2. Are changes in accounting principles, addressed in APB Opinion No. 20, <i>Accounting Changes</i> , as amended, reported as restatements of beginning net assets or fund equity (or net position), or both, not as a separately identified cumulative effect in the current-period statement of activities or proprietary fund statement of revenues, expenses, and changes in fund net assets (or net position)? ¹ [GASB 34 fn 13 (GASB Cod. sec. 1600 fn 3) or GASB 62 par. 75–78; GASB 34 fn 13, as amended by GASB 63 par. 6]	_____	_____	_____
3. For an accounting change, does disclosure in the period of the change include			

¹ Although Financial Accounting Standards Board (FASB) Statement No. 154, *Accounting Changes and Error Corrections—a replacement of APB Opinion No. 20 and FASB Statement No. 3*, superseded Accounting Principles Board (APB) Opinion No. 20, *Accounting Changes* (effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005), it did not supersede APB Opinion No. 20 for a governmental entity's funds and activities (a) that are required to apply private-sector pronouncements issued on or before November 30, 1989, and (b) that do not choose to apply all FASB statements and interpretations issued after November 30, 1989, except for those that conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. nature of the change?	_____	_____	_____
b. justification for the change and a clear explanation of why the newly adopted principle is preferable?	_____	_____	_____
c. amount of the change? ² [APB 20 par. 17, 19, 28, and 35 or GASB 62 par. 75, 77, and 87]	_____	_____	_____
4. Are changes in the entity's policy for determining which items are treated as cash equivalents in the statement of cash flows reported by restating financial statements for earlier years presented for comparative purposes? [GASB 9 par. 11 (GASB Cod. sec. 2450.108)]	_____	_____	_____
5. Are the effects of changes in accounting estimates disclosed? ³ [APB 20 par. 31–33]	_____	_____	_____
a. Is a change to depreciation from the modified approach for eligible infrastructure assets (and visa versa) reported as a change in accounting estimate? [GASB 34 fn 21 (GASB Cod. sec. 1400 fn 10); GASB 37 par. 8 (GASB Cod. sec. 1400 fn 9)]	_____	_____	_____
6. For accounting changes that are corrections of errors in previously issued financial statements, is the nature and effect on current-period amounts disclosed? ⁴ [APB 20 par. 37 or GASB 62 par. 89]	_____	_____	_____
D. Prior-Period Adjustments			
1. For prior-period adjustments			
a. for single-period statements, does the disclosure indicate the effects of such restatement on net assets or fund equity, or both (or net position), at the beginning of the period and on the results of operations of the immediately preceding period?	_____	_____	_____
b. 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, or GASB 62 par. 62 or GASB 62 par. 62, as amended by GASB 63 par. 6]	_____	_____	_____
2. If the prior-period adjustments pertain to historical summaries of financial data, are the adjustments reflected therein with appropriate disclosure? [APB 9 par. 27]	_____	_____	_____
3. If the current-period financial statements will have to be restated in the future because a GASB pronouncement will require retroactive application of its provisions by prior period adjustment, are the impending change in principle and the resulting restatement disclosed if they are considered essential data? [Interpretation 3 of AU 410 (AU 9410.13–.16)]	_____	_____	_____

² See footnote 1.³ See footnote 1.⁴ See footnote 1.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
4. 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, year of origin, and amount of the item disclosed? [SFAS 16 par. 16(c) or GASB 62 par. 50]	_____	_____	_____

II. Government-Wide Financial Statements

A. Overview

1. Do the government-wide financial statements			
a. consist of a statement of net assets (or statement of net position) and a statement of activities? [GASB 34 par. 12 (GASB Cod. sec. 2200.105 and .110, D30.108 and F60.102) or GASB 63 par. 8; GASB 34 par. 12, as amended by GASB 63 par. 6]	_____	_____	_____
b. display information about the reporting government as a whole, including the primary government and its component units, except for the fiduciary funds of the primary government and component units that are fiduciary in nature? ⁵ [GASB 34 par. 13 (GASB Cod. sec. 2200.111)]	_____	_____	_____
c. include the activity and balances of blended component units that are reported in the governmental and proprietary funds as if they were part of the primary government? [GASB 14 par. 52 and GASB 34 par. 6 (GASB Cod. sec. 2600.112)]	_____	_____	_____
i. Is the entity's component unit Tobacco Settlement Authority included as a blended component unit? [GTB 04-1 par. 10–11 (GASB Cod. sec. 2600.601)]	_____	_____	_____
d. use separate rows and columns to distinguish between the total primary government and its discretely presented component units and between the governmental and business-type activities of the primary government? [GASB 34 par. 12 (GASB Cod. sec. 2200.110); GASB 34 par. 14–15 (GASB Cod. sec. 2100.110, 2200.112, and 2600.101)]	_____	_____	_____
e. present a total column for the primary government? [GASB 34 par. 14 (GASB Cod. sec. 2200.112)]	_____	_____	_____

⁵ In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*, which amends GASB Statement Nos. 14, *The Financial Reporting Entity*, and 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. GASB Statement No. 61 amends the criteria for including component units and for blending component units in the financial statements of the primary government. In addition, GASB Statement No. 61 requires reporting condensed combining information in the notes to the financial statements for blended component units of primary governments that are business-type activities reported in a single column (such as a state university). GASB Statement No. 61 also provides new requirements for reporting equity interests in component units. The requirements of GASB Statement No. 61 are effective for financial statements for periods beginning after June 15, 2012, and earlier application is encouraged. This checklist has been updated for those entities that elect to apply the provisions of GASB Statement No. 61 prior to its effective date.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>f. include one or more columns to display the combined data of the discretely presented component units, located to the right of the total column of the primary government and using a descriptive column heading? [GASB 14 par. 44 (GASB Cod. sec. 2600.107)]</p> <p>i. Are the legally separate, tax-exempt organizations that are reported as component units because they meet the criteria of GASB Statement No. 39, <i>Determining Whether Certain Organizations Are Component Units—an amendment of GASB Statement No. 14</i>, paragraph 5 (GASB Cod. Section 2100.140), included as discretely presented component units? [GASB 39 par. 7 (GASB Cod. sec. 2600.105)]</p>	_____	_____	_____
<p>2. Is the reporting for governmental and business-type activities based on all applicable GASB pronouncements, as well as FASB statements and interpretations, APB opinions, and ARBs issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements? [GASB 34 par. 17 (GASB Cod. sec. 1600.104)]</p> <p>Entities that have implemented GASB Statement No. 62 may omit question 3.</p> <p>3. Is the use of all noncontradictory, nonconflicting FASB statements and interpretations issued after November 30, 1989, for business-type activities based on the application of those pronouncements in the underlying enterprise funds? [GASB 34 par. 17 (GASB Cod. sec. 1600.104); Q&A, item 7.8.1)]</p>	_____	_____	_____
<p>B. Statement of Net Assets (or Statement of Net Position)⁶</p> <p>1. Does the statement report all financial and capital resources?</p> <p>Entities that have implemented GASB Statement No. 63 may omit question 3.</p> <p>2. Is the statement presented either in a format that displays assets less liabilities equal net assets (encouraged) or uses the traditional balance sheet format (assets equal liabilities plus net assets)? [GASB 34 par. 30 (GASB Cod. sec. 2200.115)]</p> <p>Entities that have not implemented GASB Statement No. 63 may omit question 3.</p> <p>3. Is the statement of net position presented either in a format that displays assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position (encouraged) or a traditional balance sheet format (assets, plus deferred outflows of resources equals liabilities, less deferred inflows of resources, plus net position)? [GASB 63 par. 8]</p>	_____	_____	_____

⁶ In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 amends the net asset reporting requirements of GASB Statement No. 34 and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. GASB Statement No. 63 is effective for periods beginning after December 15, 2011. This checklist has been updated for those entities that elect to apply the provisions of GASB Statement No. 63 prior to its effective date.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
4. Are assets and liabilities presented either in order of their relative liquidity (encouraged) or classified between current and long-term (including presentation of restricted assets) using the provisions of chapter 3 of ARB 43, <i>Restatement and Revision of Accounting Research Bulletins</i> (or paragraphs 30–35 of GASB Statement No. 62) and GASB Statement No. 34, <i>Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments</i> , paragraph 99? [GASB 34 par. 31, 97, 99, and fn 23 (GASB Cod. sec. 2200.116 and fn 13) or GASB 62 par. 30–35]	_____	_____	_____
a. If making a liquidity presentation, are liabilities whose average maturities are greater than one year reported in two components—the amount due within one year and the amount due in more than one year? [GASB 34 par. 31 (GASB Cod. sec. 2200.116)]	_____	_____	_____
5. Concerning internal balances:			
a. Are amounts reported in the funds as interfund receivables and payables (including amounts owing between the primary government and blended component units) eliminated in the governmental and business-type activities columns of the statement of net assets (or net position), except for the net residual amounts due between governmental and business-type activities, which should be presented as internal balances?	_____	_____	_____
b. Are amounts reported in the funds as receivable from or payable to fiduciary funds included in the statement of net assets (or net position) as receivable from and payable to external parties (consistent with the nature of fiduciary funds), rather than as internal balances?	_____	_____	_____
c. Are all internal balances eliminated in the total primary government column? [GASB 34 par. 58 (GASB Cod. sec. 1800.103 and 2200.146); GASB 34 par. 61 (GASB Cod. sec. 1800.106 and 2200.149) or GASB 63 par. 8, GASB 34 par. 58 and 61, as amended by GASB 63 par. 6]	_____	_____	_____
6. Are amounts payable and receivable between the primary government and its discretely presented component units or between those components reported on a separate line? [GASB 34 par. 61 (GASB Cod. sec. 1800.106 and 2200.149)]	_____	_____	_____
7. Are internal service fund asset, deferred outflows of resources, liability, and deferred inflows of resources balances that are not eliminated in the statement of net assets (or net position) reported in the governmental activities column unless enterprise funds are the predominant or only participants in an internal service fund? (If enterprise funds are the predominant or only participants in an internal service fund, that internal service fund’s residual assets and liabilities should be reported within the business-type activities column.) [GASB 34 par. 62 (GASB Cod. sec. 1800.107 and 2200.150) or GASB 34 par. 62, as amended by GASB 63 par. 6]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
Entities that have implemented GASB Statement No. 63 may omit questions 8–10.			
8. Is the difference between assets and liabilities reported as “net assets”? [GASB 34 par. 30 (GASB Cod. sec. 2200.115)]	_____	_____	_____
9. Are net assets displayed in three components—invested in capital assets, net of related debt; restricted (distinguishing between major categories of restrictions); and unrestricted? [GASB 34 par. 32 (GASB Cod. sec. 1800.132 and 2200.117)]	_____	_____	_____
<i>a.</i> When permanent endowments or permanent fund principal amounts are included, is “restricted net assets” displayed in two additional components—expendable and nonexpendable? [GASB 34 par. 35 (GASB Cod. sec. 1800.138 and 2200.123)]	_____	_____	_____
10. Are designations of net assets not reported on the face of the statement? [GASB 34 par. 37, as amended (GASB Cod. sec. 1800.140 and 2200.125)]	_____	_____	_____
Entities that have not implemented GASB Statement No. 63 may omit questions 11–18.			
11. Is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources reported as “net position”? [GASB 63 par. 8]	_____	_____	_____
12. Are net assets displayed in three components: net investment in capital assets, restricted (distinguishing between major categories of restrictions); and unrestricted? [GASB 63 par. 8]	_____	_____	_____
<i>a.</i> When permanent endowments or permanent fund principal amounts are included, is “restricted net position” displayed in two additional components: expendable and nonexpendable?	_____	_____	_____
<i>b.</i> Are designations of net position not reported on the face of the statement?	_____	_____	_____
13. Does the net investment in capital assets component of net position exclude significant unspent related debt proceeds or deferred inflows of resources attributable to the unspent amount that is attributable to the acquisition, construction, or improvement of capital assets? [GASB 63 par. 9]	_____	_____	_____
14. Does the restricted component of net position include significant unspent related debt proceeds or deferred inflows of resources attributable to the unspent amount? [GASB 63 par. 9]	_____	_____	_____
15. Does the unrestricted component of net position include significant unspent related debt proceeds or deferred inflows of resources attributable to the unspent amount? [GASB 63 par. 9]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
16. Are deferred outflows of resources and deferred inflows of resources that are required to be reported in a governmental fund balance sheet presented in a format that displays assets plus deferred outflows of resources, equals liabilities plus deferred inflows of resources, plus fund balance? [GASB 63 par. 12]	_____	_____	_____
17. Are details of the different types of deferred amounts reported in the aggregate in a statement of net position or a governmental fund balance sheet provided in the notes if significant components of the total deferred amounts are obscured by aggregation? [GASB 63 par. 13]	_____	_____	_____
18. For any component of net position that is significantly affected by a transaction that resulted in recognition of a deferred outflow of resources or a deferred inflow of resources, is an explanation for the difference between a deferred outflow of resources or deferred inflow of resources and the balance of the related asset or liability provided in the notes? [GASB 63 par. 14]	_____	_____	_____
C. Statement of Activities			
1. Does the statement present activities accounted for in governmental funds by function and those activities accounted for in enterprise funds by different identifiable activities? (Hereinafter, this checklist uses the term <i>function</i> to refer to the minimum required level of detail for both governmental and business-type activities in the statement of activities.) [GASB 37 par. 10 (GASB Cod. sec. 1800.123 and 2200.127)]	_____	_____	_____
2. Is the statement presented in a format that presents expenses before program revenues, thereby reporting the net (expense) revenue of its individual functions? [GASB 34 par. 38 (GASB Cod. sec. 2200.126)]	_____	_____	_____
Entities that have implemented GASB Statement No. 63 may omit question 3.			
3. Are general revenues, contributions to term and permanent endowments, contributions to permanent fund principal, special items, extraordinary items, and transfers reported separately after the total net expenses of the government's functions, ultimately arriving at the "change in net assets" for the period? [GASB 34 par. 38 (GASB Cod. sec. 2200.126); GASB 34 par. 52–53 (GASB Cod. sec. 1800.127–.128 and 2200.140–.141); GASB 34 par. 55 (GASB Cod. sec. 1800.129–.130 and 2200.143)]	_____	_____	_____
a. Are special items reported before extraordinary items? [GASB 34 par. 56 (GASB Cod. sec. 1800.130 and 2200.144)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
Entities that have not implemented GASB Statement No. 63 may omit question 4.			
4. Are general revenues, contributions to term and permanent endowments, contributions to permanent fund principal, special items, extraordinary items, and transfers reported separately after the total net expenses of the government's functions, ultimately arriving at the "change in net position" for the period? [GASB 34 par. 38 and 53, as amended by GASB 63 par. 6]	_____	_____	_____
a. Are special items reported before extraordinary items? [GASB 34 par. 56 (GASB Cod. sec. 1800.130 and 2200.144)]	_____	_____	_____
5. Are all expenses reported by function and consistent with those functions reported in the fund level statements (as applicable), except for those that are special or extraordinary items?	_____	_____	_____
6. At a minimum, does the entity report direct expenses for each function? [GASB 34 par. 41 (GASB Cod. sec. 1800.125 and 2200.129)]	_____	_____	_____
7. If the entity allocates some or all of its indirect expenses among functions, are direct and indirect expenses presented in separate columns? [GASB 34 par. 42 (GASB Cod. sec. 2200.130)]	_____	_____	_____
8. Except as provided in GASB Statement No. 34, <i>Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments</i> , paragraph 46, is interest on general long-term liabilities reported as a separate line item that clearly indicates that it excludes direct interest expenses, if any, reported in other functions, with the amount excluded disclosed in the notes or presented on the face of the statement? [GASB 34 par. 46 (GASB Cod. sec. 2200.134)]	_____	_____	_____
9. Are program revenues separately reported in three categories—charges for services; program-specific operating grants and contributions; and program-specific capital grants and contributions? [GASB 34 par. 48 (GASB Cod. sec. 1800.126 and 2200.136)]	_____	_____	_____
10. Are all taxes, which are general revenues, reported by type of tax? [GASB 34 par. 52 (GASB Cod. sec. 1800.127 and 2200.140)]	_____	_____	_____
11. Concerning internal activity:			
a. Are resource flows between the primary government and blended component units reclassified as internal activity? [GASB 34 par. 61 (GASB Cod. sec. 1800.106 and 2200.149)]	_____	_____	_____
b. Are eliminations made in the statement of activities to remove the "doubling-up" effect of internal service fund activity and similar internal events that are, in effect, allocations of overhead expenses from one function to another or within the same function? [GASB 34 par. 59 (GASB Cod. sec. 1800.104 and 2200.147)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. Is the effect of interfund services provided and used between functions not eliminated in the statement of activities? [GASB 34 par. 60 (GASB Cod. sec. 1800.105 and 2200.148)]	_____	_____	_____
12. Are resource flows (except those that affect the statement of net assets [or net position] only, such as loans and repayments) between a primary government and its discretely presented component units reported as if they were external transactions—that is, as revenues and expenses? [GASB 34 par. 61 (GASB Cod. sec. 1800.106 and 2200.149) or GASB 34 par. 61, as amended by GASB 63 par. 6]	_____	_____	_____

III. Fund Financial Statements

A. Overview

1. Does the entity report governmental, proprietary, and fiduciary funds to the extent that it has activities that meet the criteria for using those funds? [GASB 34 par. 63 (GASB Cod. sec. 1300.102)]	_____	_____	_____
2. Are separate financial statements presented for the three fund categories—governmental, proprietary, and fiduciary—after the government-wide financial statements? [GASB 34 par. 6b(2) and 74 (GASB Cod. sec. 2200.102b(2) and .151)]	_____	_____	_____

B. Governmental Funds

1. Is the general fund used to account for all financial resources except those required to be reported in another fund? [GASB 54 par. 29 (GASB Cod. sec. 1300.104)]	_____	_____	_____
a. Are resources that are provided for administrative costs and fees of a state's unemployment programs accounted for in the general fund unless legal requirements exist that require the resources be reported in another fund? [NCGAI 9 par. 9 (GASB Cod. sec. U50.101)]	_____	_____	_____
b. If an employer government reports using more than one fund and a single fund is used to report on-behalf payments for fringe benefits and salaries, is that fund the general fund unless the on-behalf payments relate entirely to another fund? [GASB 24 par. 11, as amended, and fn 8 (GASB Cod. sec. N50.133 and fn 19)]	_____	_____	_____
2. Does the entity report only one general fund? [NCGAI 9 par. 10 (GASB Cod. sec. 1300.116)]	_____	_____	_____
3. Is the primary government's general fund the only general fund for the reporting entity? [GASB 14 par. 54, as amended (GASB Cod. sec. 1300.116 and 2600.114)]	_____	_____	_____

Entities that have implemented GASB Statement No. 63 may omit question 4a.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
4. Do the governmental fund financial statements			
<i>a.</i> consist of a balance sheet (displaying assets equal liabilities plus fund balances) and a statement of revenues, expenditures, and changes in fund balances? [GASB 34 par. 78 (GASB Cod. sec. 1300.102a and 2200.155); GASB 34 par. 83 (GASB Cod. sec. 2200.156)]	_____	_____	_____
Entities that have not implemented GASB Statement No. 63 may omit question 4b.			
<i>b.</i> consist of a balance sheet (displaying assets plus deferred outflows of resources, equals liabilities plus deferred inflows of resources, plus fund balances) and a statement of revenues, expenditures and changes in fund balances? [GASB 34 par. 78 (GASB Cod. sec. 1300.102a and 2200.155); GASB 34 par. 83, as amended by GASB 63 par. 12]	_____	_____	_____
<i>c.</i> include the governmental funds of blended component units and blended component units that are governmental in nature? [GASB 14 par. 52 and 54, as amended (GASB Cod. sec. 2600.112 and .114); GASB 34 par. 125 (GASB Cod. sec. 2100.110 and 2600.101)]	_____	_____	_____
<i>d.</i> present the financial information of the entity's main operating fund (the general fund or its equivalent) and each other major governmental fund in a separate column? [GASB 34 par. 75–76, 83, and 86 (GASB Cod. sec. 2200.152–.153, .156, and .159)]	_____	_____	_____
<i>e.</i> display the aggregate nonmajor governmental funds in a single column, regardless of fund type? [GASB 34 par. 75, 83, and 86 (GASB Cod. sec. 2200.152, .156, and .159)]	_____	_____	_____
<i>f.</i> display a total column for all governmental funds? [GASB 34 par. 83 and 86 (GASB Cod. sec. 2200.156 and .159)]	_____	_____	_____
<i>g.</i> present summary reconciliations to the government-wide financial statements on the face of the financial statements or in accompanying schedules? [GASB 34 par. 77, 85, and 90 (GASB Cod. sec. 2200.154, .158, and .163); Q&A, item 7.57.2]	_____	_____	_____
5. Are the governmental fund financial statements presented using the current financial resources measurement focus and the modified accrual basis of accounting? [GASB 34 par. 79 (GASB Cod. sec. 1300.102a)]	_____	_____	_____
6. Does the statement of revenues, expenditures, and changes in fund balances			
<i>a.</i> present the following information, in the following sequence:			
<i>i.</i> Revenues (detailed)?	_____	_____	_____
<i>ii.</i> Expenditures (detailed)?	_____	_____	_____
<i>iii.</i> Excess (deficiency) of revenues over expenditures?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
iv. Other financing sources and uses, including transfers (detailed)?	_____	_____	_____
v. Special and extraordinary items (detailed)?	_____	_____	_____
vi. Net change in fund balances?	_____	_____	_____
vii. Fund balances—beginning of period?	_____	_____	_____
viii. Fund balances—end of period? [GASB 34 par. 86 and 89 and fn 38 (GASB Cod. sec. 2200.156 and .159, and fn 27)]	_____	_____	_____
b. classify revenues by major source? [NCGA 1 par. 110 (GASB Cod. sec. 1800.115); GASB 34 par. 87 (GASB Cod. sec. 2200.160)]	_____	_____	_____
c. classify expenditures at a minimum by function? [NCGA 1 par. 112 (GASB Cod. sec. 1800.117); GASB 34 par. 87 (GASB Cod. sec. 2200.160)]	_____	_____	_____
d. classify debt issue costs, both those paid out of debt proceeds and those paid from existing resources, as expenditures? [GASB 34 par. 87 (GASB Cod. sec. 1800.110 and 2200.160)]	_____	_____	_____
e. classify the following as other financing sources and uses:			
i. The face amount of long-term debt not recorded as fund liabilities, in captions such as “Bonds Issued” or “Long-Term Notes Issued” (except for the proceeds of special assessment debt for which the government is not obligated in any manner)? [NCGA 1 par. 108, as amended (GASB Cod. sec. 1500.110 and 1800.108); GASB 6 par. 19 (GASB Cod. sec. S40.119); GASB 7 par. 8, as amended (GASB Cod. sec. 1800.109); GASB 34 par. 88, as amended (GASB Cod. sec. 1500.110, 1800.108, and 2200.161)]	_____	_____	_____
ii. Issuance premium or discount? [GASB 34 par. 88, as amended (GASB Cod. sec. 1800.108 and 2200.161)]	_____	_____	_____
iii. Payments to escrow agents for bond refundings from resources provided by the new debt? [GASB 7 par. 8 (GASB Cod. sec. 1800.109); GASB 34 par. 88, as amended (GASB Cod. sec. 1800.108 and 2200.161)]	_____	_____	_____
iv. Transfers? [GASB 34 par. 88, as amended (GASB Cod. sec. 2200.161); GASB 34 par. 112b(1) (GASB Cod. sec. 1800.102b(1))]	_____	_____	_____
v. Sales of capital assets (unless the sale meets the criteria for reporting as a special item)? [GASB 34 par. 88, as amended (GASB Cod. sec. 1800.113 and 2200.161)]	_____	_____	_____
f. report special and extraordinary items separately within a “special and extraordinary items” classification if both occur during the same period?	_____	_____	_____

		<u>Yes</u>	<u>No</u>	<u>N/A</u>
	g. separately identify significant transactions or other events that are either unusual or infrequent but are not within the control of management within the appropriate revenue or expenditure category? (Alternatively, these items may be disclosed in the notes to the financial statements.)	_____	_____	_____
	h. not report debt refundings as extraordinary items? [GASB 34 par. 89 (GASB Cod. sec. 1800.131 and 2200.162)]	_____	_____	_____
7.	Is the general fund used to account for and report all financial resources that are not accounted for and reported in another fund? [GASB 54 par. 29 (GASB Cod. sec. 1300.104)]	_____	_____	_____
8.	If special revenue funds are reported, are they used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes (other than debt service or capital projects) and where the specific revenue sources are expected to comprise a substantial portion of the inflows reported in the fund? [GASB 54 par. 30–32 (GASB Cod. sec. 1300.105)]	_____	_____	_____
9.	If capital projects funds are reported, are they used to account for and report financial resources that are restricted, committed, or assigned to be used for the acquisition or construction of capital facilities or other capital assets, including those outlays financed by general obligation bond proceeds (other than those financed by proprietary funds or in trust funds for individuals, private organizations, or other governments)? [GASB 54 par. 33 (GASB Cod. sec. 1300.106)]	_____	_____	_____
10.	Are debt service funds used to account for and report financial resources that are restricted, committed, or assigned to expenditure of principal and interest? [GASB 54 par. 34 (GASB Cod. sec. 1300.107)]	_____	_____	_____
11.	Are permanent funds used to account for and report financial resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the entity's programs—that is, for the benefit of the government or its citizenry? (An example is a cemetery perpetual-care fund that provides resources for the ongoing maintenance of a public cemetery.) [GASB 54 par. 35 (GASB Cod. sec. 1300.108)]	_____	_____	_____
12.	Are fund balances segregated between restricted, committed, assigned, or unassigned and nonspendable fund balances? [GASB 54 par. 22–25 (GASB Cod. sec. 1800.159–.162)]	_____	_____	_____
	a. Are nonspendable resources only those that cannot be spent readily with cash or are legally or contractually required not to be spent, including but not limited to inventories, prepaid items, and long term balances of loans and accounts receivable? [GASB 54 par. 22–25 (GASB Cod. sec. 1800.159–.162)]	_____	_____	_____
13.	Are fund balances further segregated by restricted, committed or assigned?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. Are restricted balances only those that have revenues that are segregated by legislation or constitutional provisions or externally imposed by creditors, grantors, contributors, or laws or regulations of other governments?	_____	_____	_____
b. Are committed balances only those that have revenues that are used for specific purposes, imposed by formal action of the government's highest level of decision making authority and can only be changed by a similar action (for example, law, ordinance, or resolution)?	_____	_____	_____
c. For other governmental funds, are all amounts not reported as restricted or committed, reported as assigned in accordance with the intent of the governing body or its designee, and are amounts in the general fund reported as assigned where the government has documented intent to spend those resources in some manner?	_____	_____	_____
d. Are positive unassigned amounts reported only in the general fund?	_____	_____	_____
e. If governmental fund (other than the general fund) expenditures incurred for a specific purpose exceed amounts that are restricted, committed, and assigned to that purpose resulted in a negative residual balance for that purpose, were amounts assigned to other purposes in the fund reduced to eliminate the deficit?	_____	_____	_____
f. If a deficit remains related to a specific purpose (see question 13e) after using amounts assigned to other purposes to eliminate it, or if there are no amounts assigned to other purposes, has the remaining negative residual amount been classified as unassigned fund balance? [GASB 54 par. 8, 10, 13, and 19–25 (GASB Cod. sec. 1800.145, .147, .150, and .156–.162)]	_____	_____	_____
14. If aggregated amounts are presented in the balance sheet, are disaggregated amounts presented in the notes to the basic financial statements in amounts for specific purposes in sufficient detail so that the major commitments and assignments are evident to the financial statement user? [GASB 54 par. 22–25 (GASB Cod. sec. 1800.159–.162)]	_____	_____	_____
C. Proprietary Funds			
1. Are enterprise funds used to report			
a. only activities for which a fee is charged to external users for goods or services?	_____	_____	_____
b. activities that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges to external users for the activity?	_____	_____	_____
c. activities for which laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges to external users?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
d. activities with pricing policies that establishes fees and charges to external users designed to recover its costs, including capital costs? [GASB 34 par. 67 (GASB Cod. sec. 1300.109)]	_____	_____	_____
e. a state's unemployment compensation benefit plan? [NCGAI 9 par. 9 (GASB Cod. sec. U50.101); GASB 34 fn 34 (GASB Cod. sec. 1300 fn 7)]	_____	_____	_____
2. Are internal service funds only used to report activities that provide goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis and for which the reporting government is the predominant participant in the activity? [GASB 34 par. 68 (GASB Cod. sec. 1300.110)]	_____	_____	_____
3. Do the proprietary fund financial statements			
Entities that have implemented GASB Statement No. 63 may omit question 3a.			
a. consist of a statement of net assets or balance sheet; a statement of revenues, expenses, and changes in fund net assets or fund equity; and a statement of cash flows? (Hereinafter, this checklist uses the terms <i>statement of net assets</i> and <i>statement of revenues, expenses, and changes in fund net assets</i> when referring specifically to the proprietary fund financial statements.) [GASB 34 par. 91 (GASB Cod. sec. 1300.102b, 2200.164, and P80.106)]	_____	_____	_____
Entities that have not implemented GASB Statement No. 63 may omit question 3b.			
b. consist of a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows? (Hereinafter, this checklist uses the terms <i>statement of net position</i> and <i>statement of revenues, expenses, and changes in net position</i> when referring specifically to the proprietary fund financial statements.) [GASB 63 par. 8]	_____	_____	_____
c. include the proprietary funds of blended component units and blended component units that are proprietary in nature? [GASB 14 par. 52 and 54 (GASB Cod. sec. 2600.112 and .114); GASB 34 par. 125 (GASB Cod. sec. 2100.110 and 2600.101)]	_____	_____	_____
d. present the financial information of each major enterprise fund in a separate column?	_____	_____	_____
e. display aggregate nonmajor enterprise funds in a single column? [GASB 34 par. 75 (GASB Cod. sec. 2200.152 and P80.107); GASB 34 par. 96 (GASB Cod. sec. 2200.165 and P80.111)]	_____	_____	_____
f. display a total column for all enterprise funds? [GASB 34 par. 96 (GASB Cod. sec. 2200.165 and P80.111)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
g. display the aggregate internal service funds in a single column to the right of the total enterprise funds column? [GASB 34 par. 96 (GASB Cod. sec. 2200.165 and P80.111); GASB 34 fn 35 (GASB Cod. sec. 2200 fn 26 and P80 fn 5)]	_____	_____	_____
h. present summary reconciliations to the government-wide financial statements, if there are reconciling differences, on the face of the financial statements or in accompanying schedules? [GASB 34 par. 77 (GASB Cod. sec. 2200.154 and P80.109); GASB 34 par. 104 (GASB Cod. sec. 2200.173 and P80.110)]	_____	_____	_____
4. Are the proprietary fund financial statements presented using the economic resources measurement focus and the accrual basis of accounting? [GASB 34 par. 92 (GASB Cod. sec. 1300.102b and P80.102) or GASB 34 par. 92, as amended by GASB 63 par. 6]	_____	_____	_____
Entities that have implemented GASB Statement No. 62 may omit questions 5–6.			
5. Are proprietary funds reported based on all applicable GASB pronouncements, as well as FASB statements and interpretations, APB opinions, and ARBs issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements? [GASB 1 par. 8; GASB 20 par. 6; GASB 34 par. 92– 93 (GASB Cod. sec. P80.102)]	_____	_____	_____
6. Do enterprise funds that apply the provisions of all noncontradictory, nonconflicting FASB statements and interpretations issued after November 30, 1989, apply only those post-November 30, 1989 FASB statements and interpretations that are developed for business enterprises? [GASB 29 par. 7; GASB 34 par. 94 (GASB Cod. sec. P80.103)]	_____	_____	_____
Entities that have not implemented GASB Statement No. 62 may omit question 7.			
7. Do enterprise funds and business-type activities continue to apply, as “other accounting literature,” only those post-November 30, 1989, FASB statements and interpretations that do not conflict with or contradict GASB pronouncements? [GASB 62 par. 4]	_____	_____	_____
Entities that have implemented GASB Statement No. 63 may omit question 8.			
8. Is the statement of net assets presented either in a format that displays assets less liabilities equal net assets or using a balance sheet format (assets equal liabilities plus net assets)? [GASB 34 par. 98 (GASB Cod. sec. 2200.167 and P80.113)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
Entities that have not implemented GASB Statement No. 63 may omit question 9.			
9. Is the statement of net position presented either in a format that displays assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position (encouraged) or a traditional balance sheet format (assets, plus deferred outflows of resources equals liabilities, less deferred inflows of resources, plus net position)? [GASB 63 par. 8]	_____	_____	_____
Entities that have implemented GASB Statement No. 63 may omit question 10.			
10. Does the statement of net assets			
a. present assets and liabilities in a classified format to distinguish between current and long-term (including presentation of restricted assets) as discussed in chapter 3 of ARB 43 and GASB Statement No. 34 paragraph 99? [GASB 34 par. 97 (GASB Cod. sec. 2200.166 and P80.112); GASB 34 par. 99 (GASB Cod. sec. 2200.168 and P80.114)]	_____	_____	_____
b. display net assets in three components—invested in capital assets, net of related debt; restricted (distinguishing between major categories of restrictions); and unrestricted? [GASB 34 par. 98 (GASB Cod. sec. 1800.141, 2200.167, and P80.113)]	_____	_____	_____
i. When permanent endowments are included, is “restricted net assets” displayed in two additional components: expendable and nonexpendable? [GASB 34 par. 103 (GASB Cod. sec. 2200.172 and P80.119)]	_____	_____	_____
c. not display capital contributions as a separate component of net assets?	_____	_____	_____
d. not display designations of net assets? [GASB 34 par. 98 (GASB Cod. sec. 1800.141, 2200.167, and P80.113)]	_____	_____	_____
Entities that have not implemented GASB Statement No. 63 may omit question 11.			
11. Does the statement of net position display in three components: net investment in capital assets; restricted (distinguishing between major categories of restrictions); and unrestricted? [GASB 63 par. 8]	_____	_____	_____
a. Does the net investment in capital assets component consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvements of those assets? [GASB 63 par. 9]	_____	_____	_____

		<u>Yes</u>	<u>No</u>	<u>N/A</u>
	<i>b.</i> Does the restricted component of net position consist of restricted assets reduced by liabilities and deferred inflows of resources related to those assets? [GASB 63 par. 10]	_____	_____	_____
	<i>c.</i> Does the unrestricted component of net position consist of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position? [GASB 63 par. 11]	_____	_____	_____
12.	Does the statement of revenues, expenses, and changes in fund net assets (or net position)			
	<i>a.</i> distinguish between operating and nonoperating revenues and expenses in accordance with the government's policy defining operating revenues and expenses and consistent with the statement of cash flows? [GASB 34 par. 100, as amended, and par. 102 (GASB Cod. sec. 1800.122, 2200.169 and .171, 2450 fn 5, and P80.115 and .118) or GASB 34 par. 100, as amended by GASB 63 par. 6; GASB 34 par. 102]	_____	_____	_____
	<i>b.</i> present the following information, in the following sequence:			
	i. Operating revenues (detailed)?	_____	_____	_____
	ii. Total operating revenues?	_____	_____	_____
	iii. Operating expenses (detailed)?	_____	_____	_____
	iv. Total operating expenses?	_____	_____	_____
	v. Operating income (loss)?	_____	_____	_____
	vi. Nonoperating revenues and expenses (detailed)?	_____	_____	_____
	vii. Income before other revenues, expenses, gains, losses, and transfers?	_____	_____	_____
	viii. Capital contributions (grant, developer, and other), additions to permanent and term endowments, special and extraordinary items (detailed), and transfers?	_____	_____	_____
	ix. Increase (decrease) in net assets (or net position)?	_____	_____	_____
	x. Net assets (or net position)—beginning of period?	_____	_____	_____
	xi. Net assets (or net position)—end of period? [GASB 34 par. 100, as amended (GASB Cod. sec. 1800.131, 2200.169, and P80.115); GASB 34 par. 101 (GASB Cod. sec. 2200.170 and P80.116); GASB 34 par. 103 (GASB Cod. sec. 2200.172 and P80.119) or GASB 34 par. 100–101, and 103, as amended by GASB 63 par. 6]	_____	_____	_____
	<i>c.</i> classify revenues and expenses in a manner essentially like those of similar business organizations, trusts, or activities, unless that classification conflicts with or contradicts GASB pronouncements? [NCGA 1 par. 117, as amended by GASB 20 par. 6 (GASB Cod. sec. 1800.122 and P80.117)]	_____	_____	_____

		<u>Yes</u>	<u>No</u>	<u>N/A</u>
d.	report revenues by major source? [GASB 34 par. 100 (GASB Cod. sec. 1800.122, 2200.169, and P80.115) or GASB 34 par. 100, as amended by GASB 63 par. 6]	_____	_____	_____
e.	either report revenues net of discounts and allowances with the discount or allowance amount parenthetically disclosed on the face of the statement or in a note to the financial statements, or report revenues gross with the related discounts and allowances reported directly beneath the revenue amount? [GASB 34 fn 41 (GASB Cod. sec. 2200 fn 32 and P80 fn 8)]	_____	_____	_____
f.	identify revenues used as security for revenue bonds? [GASB 34 par. 100, as amended (GASB Cod. sec. 2200.169 and P80.115) or GASB 34 par. 100, as amended by GASB 63 par. 6]	_____	_____	_____
13.	Does the statement of cash flows			
a.	report the net cash provided or used by the fund's operating, noncapital financing, capital and related financing, and investing activities, and the net effect of those flows on cash and cash equivalents during the period, including restricted cash and cash equivalents, in a manner that reconciles beginning and ending cash and cash equivalents? [GASB 9 par. 7–8, 15, and 30 (GASB Cod. sec. 2450.104–.105, .112, and .127)]	_____	_____	_____
b.	use a descriptive term, such as <i>cash</i> or <i>cash and cash equivalents</i> , rather than the term <i>funds</i> ?	_____	_____	_____
c.	show an amount of cash and cash equivalents at the beginning and end of the period that is easily traceable to similarly titled line items or subtotals in the fund's statement of net assets (or net position) as of those dates? [GASB 9 par. 8 (GASB Cod. sec. 2450.105)]	_____	_____	_____
d.	present information about cash receipts and payments as gross amounts rather than as net amounts, except for items in the investing and financing categories whose turnover is quick, amounts are large, and maturities are short and, in certain situations, the purchases and sales of highly liquid investments? [GASB 9 par. 12–14 and 35 (GASB Cod. sec. 2450.109–.111 and .130)]	_____	_____	_____
e.	use the direct method of presenting cash flows from operating activities, which reports major classes of gross cash receipts and gross cash payments and their arithmetic sum? [GASB 34 par. 105 (GASB Cod. sec. 2200.174 and 2450.128)]	_____	_____	_____
f.	classify cash receipts and payments from the following activities as cash flows from operating activities:			
i.	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?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
ii. Cash receipts from interfund reimbursements?	_____	_____	_____
iii. 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?	_____	_____	_____
iv. Cash payments to other suppliers for other goods or services?	_____	_____	_____
v. Cash payments to employees for services?	_____	_____	_____
vi. Cash payments for taxes, duties, fines, and other fees or penalties?	_____	_____	_____
vii. Cash receipts and payments for grants from or to other governments or organizations for specific activities that are considered to be operating activities of the grantor government or organization? (A grant arrangement of this type is essentially the same as a contract for services.)	_____	_____	_____
viii. Cash receipts and payments for interfund provided and services used, including receipts and payments in lieu of taxes that are payments for, and reasonably equivalent in value to, services provided?	_____	_____	_____
ix. Cash receipts and payments from the principal and interest on loan programs that are undertaken to fulfill a governmental responsibility (<i>program loans</i>)?	_____	_____	_____
x. All other cash receipts and payments that do not result from transactions defined as capital and related financing, noncapital financing, or investing activities? [GASB 9 par. 16 and 19 (GASB Cod. sec. 2450.113 and .116); GASB 9 par. 17–18, GASB 34 par. 112 (GASB Cod. sec. 2450.114–.115)]	_____	_____	_____
g. at a minimum, separately report these classes of operating cash receipts and payments:			
i. Cash receipts from customers?	_____	_____	_____
ii. Cash receipts from interfund services provided?	_____	_____	_____
iii. Other operating cash receipts, if any?	_____	_____	_____
iv. Cash payments to employees for services?	_____	_____	_____
v. Cash payments to other suppliers of goods or services?	_____	_____	_____
vi. Cash payments for interfund services used, including payments in lieu of taxes that are payments for, and reasonably equivalent in value to, services provided?	_____	_____	_____
vii. Other operating cash payments, if any? [GASB 9 par. 31; GASB 34 par. 105 and 112 (GASB Cod. sec. 2450.128)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p><i>h.</i> provide in an accompanying schedule a reconciliation of operating cash flows to operating income? [GASB 9 par. 34, as amended; GASB 34 par. 102 (GASB Cod. sec. 2200.171 and 2450.129)]</p>	_____	_____	_____
Entities that have implemented GASB Statement No. 65 may omit question 12<i>h</i>(i).⁷			
<p><i>i.</i> Does the reconciliation report the same amount for net cash flow from operating activities indirectly by adjusting operating income to remove the effects of depreciation, amortization, and other deferrals of past operating cash receipts and payments, such as changes during the period in inventory, deferred revenue, and the like, and all accruals of expected future operating cash receipts and payments, such as changes during the period in receivables and payables?</p>	_____	_____	_____
Entities that have not implemented GASB Statement No. 65 may omit question 12<i>h</i>ii.			
<p><i>ii.</i> Does the reconciliation report the same amount for net cash flow from operating activities indirectly by adjusting operating income 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, inflows of resources received in advance, and the like, and all accruals of expected future operating cash receipts and payments, such as changes during the period in receivables and payables?</p>	_____	_____	_____
<p><i>iii.</i> Does the reconciliation separately report all major classes of reconciling items, including, 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. 32–33, as amended (GASB Cod. sec. 2450.129)]</p>	_____	_____	_____
<p><i>i.</i> classify cash receipts and payments from the following activities as cash flows from noncapital financing activities:</p> <p><i>i.</i> Proceeds from issuing bonds, notes, and other short- or long-term borrowings not clearly attributable to acquisition, construction, or improvement of capital assets, or program loans?</p>	_____	_____	_____

⁷ Issued in March 2012, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. GASB Statement No. 65 is effective for periods beginning after December 15, 2012. Earlier application is encouraged. Accounting changes should be applied retroactively by restating financial statements, if practical, for all periods presented.

		<u>Yes</u>	<u>No</u>	<u>N/A</u>
ii.	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?	_____	_____	_____
iii.	Cash received from other funds except those amounts that are clearly attributable to acquisition, construction, or improvement of capital assets; interfund services provided; and interfund reimbursements?	_____	_____	_____
iv.	Cash received from property and other taxes collected for the governmental enterprise and not specifically restricted for capital purposes?	_____	_____	_____
v.	Repayments of amounts borrowed for purposes other than acquiring, constructing, or improving capital assets or to finance program loans?	_____	_____	_____
vi.	Interest payments to lenders and other creditors on amounts borrowed or credit extended for purposes other than acquiring, constructing, or improving capital assets or to finance program loans?	_____	_____	_____
vii.	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?	_____	_____	_____
viii.	Cash paid to other funds, except for interfund services used? [GASB 9 par. 19–20 (GASB Cod. sec. 2450.116–.117); GASB 9 par. 21–22; GASB 34 par. 112 (GASB Cod. sec. 2450.118–.119)]	_____	_____	_____
j.	classify cash receipts and payments from the following activities as cash flows from capital and related financing activities:			
i.	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?	_____	_____	_____
ii.	Receipts from capital grants awarded to the governmental enterprise?	_____	_____	_____
iii.	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?	_____	_____	_____
iv.	Receipts from sales of capital assets as well as proceeds from insurance on capital assets that are stolen or destroyed?	_____	_____	_____
v.	Receipts from special assessments or property and other taxes levied specifically to finance the construction, acquisition, or improvement of capital assets?	_____	_____	_____
vi.	Payments to acquire, construct, or improve capital assets?	_____	_____	_____

		<u>Yes</u>	<u>No</u>	<u>N/A</u>
	vii. Repayments or refundings of amounts borrowed specifically to acquire, construct, or improve capital assets?	_____	_____	_____
	viii. Other principal payments to vendors who have extended credit to the governmental enterprise directly for purposes of acquiring, constructing, or improving capital assets?	_____	_____	_____
	ix. Cash payments to lenders and other creditors for interest directly related to acquiring, constructing, or improving capital assets? [GASB 9 par. 23–25 (GASB Cod. sec. 2450.120–.122)]	_____	_____	_____
k.	classify cash receipts and payments from the following activities as cash flows from investing activities:			
	i. 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 were purchased by the governmental enterprise?	_____	_____	_____
	ii. Receipts from sales of equity instruments and from returns of investment in those instruments?	_____	_____	_____
	iii. Interest and dividends received as returns on loans (except program loans), debt instruments of other entities, equity securities, and cash management or investment pools?	_____	_____	_____
	iv. Withdrawals from investment pools that the governmental enterprise is not using as demand accounts?	_____	_____	_____
	v. Disbursements for loans (except program loans) made by the governmental enterprise and payments to acquire debt instruments of other entities (other than cash equivalents)?	_____	_____	_____
	vi. Payments to acquire equity instruments?	_____	_____	_____
	vii. Deposits into investment pools that the governmental enterprise is not using as demand accounts? [GASB 9 par. 26–28 (GASB Cod. sec. 2450.123–.125)]	_____	_____	_____
l.	report in a separate schedule (in narrative or tabular form) information about all investing, capital, and financing activities of a governmental enterprise during a period that affect recognized assets or liabilities but do not result in cash receipts or cash payments in the period?	_____	_____	_____
	i. Does the information clearly describe the cash and non-cash aspects of transactions involving similar items? [GASB 9 par. 37 (GASB Cod. sec. 2450.132)]	_____	_____	_____

D. Fiduciary Funds

- | | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|--|------------|-----------|------------|
| 1. Are pension (and other employee benefit) trust funds used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans (OPEB), and other employee benefit plans?
[GASB 34 par. 70 (GASB Cod. sec. 1300.111)] | _____ | _____ | _____ |
| <i>a.</i> Do pension (and other employee benefit) trust funds include Internal Revenue Code Section 457 deferred compensation plans that meet the criteria for reporting in that manner?
[GASB 32 par. 4, as amended by GASB 34 par. 70 (GASB Cod. sec. D25.101)] | _____ | _____ | _____ |
| 2. Are investment trust funds used to report the external portion of investment pools reported by the sponsoring government?
[GASB 34 par. 71 (GASB Cod. sec. 1300.112)] | _____ | _____ | _____ |
| <i>a.</i> If the entity provides individual investment accounts to other, legally separate entities that are not part of the same financial reporting entity, does it report those investments in one or more separate investment trust funds?
[GASB 31 par. 20 (GASB Cod. sec. I50.119)] | _____ | _____ | _____ |
| <i>b.</i> If individual accounts are offered as an alternative to a pooled position, are the individual accounts reported in a different investment trust from the pool?
[GASB 31 fn 11 (GASB Cod. sec. I50, fn 12)] | _____ | _____ | _____ |
| 3. Are private-purpose trust funds used to report all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments?
[GASB 34 par. 72 (GASB Cod. sec. 1300.113)] | _____ | _____ | _____ |
| 4. Are agency funds used to report resources held by the reporting government in a purely custodial capacity? (Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.)
[GASB 34 par. 73 (GASB Cod. sec. 1300.114)] | _____ | _____ | _____ |
| <i>a.</i> Are agency funds used to report cash pass-through grants only in those infrequent cases in which the recipient government serves only as a cash conduit?
[GASB 24 par. 5, as amended (GASB Cod. sec. N50.128)] | _____ | _____ | _____ |
| 5. Are the fiduciary fund financial statements reported using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities of defined benefit pension plans and certain postemployment healthcare plans? ⁸
[GASB 34 par. 107 (GASB Cod. sec. 1300.102c)] | _____ | _____ | _____ |
| 6. Do the fiduciary fund financial statements | | | |

⁸ Paragraphs 11 and 24 of GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, remove this exception for the recognition of certain liabilities without effectively changing the recognition requirements for those liabilities.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p><i>a.</i> consist of a statement of fiduciary net assets (or net position) and statement of changes in fiduciary net assets (or net position)? (For defined benefit pension plans and OPEB, the statement of fiduciary net assets (or net position) and statement of changes in fiduciary net assets (or net position) are equivalent to the statement of plan net assets (or net position) and statement of changes in plan net assets (or net position), respectively, required by GASB Statement No. 25, <i>Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans</i>, and GASB Statement No. 43, <i>Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans</i>.)</p> <p>[GASB 34 par. 106, as amended (GASB Cod. sec. 1300.102c and 2200.175); GASB 34 fn 43; GASB 43 par. 11 (GASB Cod. sec. 1300 fn 1 and 2200 fn 34) or GASB 34 par. 106, as amended by GASB 63 par. 6; GASB 43 par. 11]</p> <p><i>i.</i> Does the statement of changes in fiduciary net assets (or net position) report additions and deductions rather than revenues and expenses?</p> <p>[GASB 34 par. 109 (GASB Cod. sec. 2200.177) or GASB 34 par. 109, as amended by GASB 63 par. 6]</p>	_____	_____	_____
<p><i>b.</i> include information about all fiduciary funds of the primary government, as well as component units that are fiduciary in nature?</p> <p>[GASB 34 par. 106, as amended (GASB Cod. sec. 1300.102c and 2200.175) GASB 34 par. 125 (GASB Cod. sec. 2100.110 and 2600.101); or GASB 34 par. 106 and 125, as amended by GASB 63 par. 6]</p>	_____	_____	_____
<p><i>c.</i> include organizations that do not meet the definition for inclusion in the financial reporting entity if the primary government has a fiduciary responsibility for them?</p> <p>[GASB 14 par. 19, as amended (GASB Cod. sec. 2100.118 and 2600.104)]</p>	_____	_____	_____
<p><i>d.</i> provide a separate column for each fund type—pension (and other employee benefit) trust funds, investment trust funds, private-purpose trusts, agency funds?</p> <p>[GASB 34 par. 106, as amended (GASB Cod. sec. 2200.175) or GASB 34 par. 106, as amended by GASB 63 par. 6]</p>	_____	_____	_____
<p><i>e.</i> apply the detailed display requirements of GASB Cod. sec. Pe5 and Po50 to the financial statements of employee benefit trust funds other than pension trust funds?⁹</p> <p>[GASB 34 par. 108–109, as amended (GASB Cod. sec. 2200.176–.177); GASB 34 par. 108–109, as amended by GASB 63 par. 6]</p>	_____	_____	_____
<p><i>f.</i> report agency fund assets equal to agency fund liabilities?</p> <p>[GASB 34 par. 110 (GASB Cod. sec. 2200.178); GASB 34 par. 110, as amended by GASB 63 par. 6]</p>	_____	_____	_____

⁹ See also the subsection on employee benefit pension plans—sponsor and employer reporting in the section of this checklist titled “Specialized Topics.”

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>i. If an agency fund has a negative cash balance because more cash has been paid out than received or if it has incurred more liabilities than there is cash to pay them, has the entity reported an interfund receivable in the agency fund to reflect the amount of its liability to cover the shortage? [AAG-SLV 5.30]</p>	_____	_____	_____
<p>g. not report agency funds in the statement of changes in fiduciary net assets (or net position)? [GASB 34 par. 110 (GASB Cod. sec. 2200.178); GASB 34 par. 110, as amended by GASB 63 par. 6]</p>	_____	_____	_____
E. Interfund Activity and Balances¹⁰			
<p>1. Are amounts due from and due to other funds, including long-term amounts, reported in the fund financial statements? (Current amounts due from and due to the same funds may be offset and the net amounts shown in the respective fund financial position statements.) [NCGA 1 par. 22; GASB 34 par. 81 and 112 (GASB Cod. sec. 1300.120); NCGA 1 fn 5 (GASB Cod. sec. 1300.120); GASB 34 par. 81 (GASB Cod. sec. 1500.102)]</p>	_____	_____	_____
<p>2. Are interfund loans reported as interfund receivables in lender funds and interfund payables in borrower funds (and not as other financing sources or uses)?</p>	_____	_____	_____
<p>a. If repayment of interfund loans is not expected within a reasonable time, is the interfund balances reduced and the amount that is not expected to be repaid reported as a transfer from the fund that made the loan to the fund that received the loan? [GASB 34 par. 112a(1) (GASB Cod. sec. 1800.102a(1))]</p>	_____	_____	_____
<p>3. Are interfund services provided and used reported as revenues in seller funds and expenditures or expenses in purchaser funds (except when the general fund is used to account for risk-financing activities), with unpaid amounts reported as interfund receivables and payables in the fund financial position statements? [GASB 34 par. 112a(2) and fn 45 (GASB Cod. sec. 1800.102a(2) and fn 1)]</p>	_____	_____	_____
<p>4. Are transfers reported as</p>			
<p>a. other financing uses in the governmental funds making transfers?</p>	_____	_____	_____
<p>b. other financing sources in the governmental funds receiving transfers?</p>	_____	_____	_____
<p>c. after nonoperating revenues and expenses in proprietary funds? [GASB 34 par. 112b(1) (GASB Cod. sec. 1800.102b(1))]</p>	_____	_____	_____

¹⁰ This section applies not only to activity between the funds of a legal entity but also to activity between a primary government and its blended component units. Resource flows between a primary government and its discretely presented component units (except those that affect the financial position statement only, such as loans and repayments) are reported as revenues and expenses or expenditures, or both (GASB 34 par. 61 [GASB Cod. sec. 1800.106 and 2200.149]).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
5. Are reimbursements not displayed in the financial statements? [GASB 34 par. 112b(2) (GASB Cod. sec. 1800.102b(2))]	_____	_____	_____
6. If the entity moves capital assets from one fund or activity to another			
a. is the movement accounted for at the asset's book value, with no gain or loss reported?	_____	_____	_____
b. are movements of general capital assets to a proprietary or fiduciary fund not reported in governmental funds?	_____	_____	_____
c. are movements of general capital assets to a proprietary fund (or vice versa) reported in the government-wide financial statements as internal activity between the governmental and business-type activities? [AAG-SLV 7.60]	_____	_____	_____
7. Are any interfund and similar eliminations made in the fund financial statements apparent from the headings or disclosed in the notes to the financial statements? [NCGA 1 par. 145, 147, and 156, as amended by GASB 34 par. 6 (GASB Cod. sec. 2200 fn 5)]	_____	_____	_____
8. Do interfund receivables equal interfund payables and do transfers in equal transfers out (unless there is a difference in fiscal year between the primary government and its blended component units)? [Generally Accepted]	_____	_____	_____

IV. Assets, Liabilities, and Net Position¹¹

A. Financial Instruments¹²

1. Does the entity not apply the provisions of GASB Statement No. 31, <i>Accounting and Financial Reporting for Certain Investments and for External Investment Pools</i> , to investments in equity securities that are accounted for under the equity method, to investments in joint ventures or component units, or to securities or other instruments not held by the entity for investment purposes, either for itself or for parties for which it serves as investment manager or other fiduciary? [GASB 31 par. 5 (GASB Cod. sec. I50.104)]	_____	_____	_____
2. Does the entity apply the equity method for reporting investments in common stock, if applicable in the circumstances? (Note that the equity method does not apply to investments in common stock held by (a) governmental external investment pools, (b) defined benefit pension or other postemployment benefit plans, or (c) Internal Revenue Section 457 deferred compensation plans.) [GASB 31 par. 5 (GASB Cod. sec. I50.104); APB 18, GASB 62 par. 202–210]	_____	_____	_____

¹¹ See also the section of this checklist titled "Specialized Topics."

¹² See also the subsections on derivative instruments, governmental external investment pools, employee benefit pension plans—stand-alone plan and employee other postemployment benefit plans—stand-alone plan reporting in the section of this checklist titled "Specialized Topics."

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
3. If a cash account for the entity is overdrawn in total, is the balance classified as a liability in the fund and government-wide financial statements? [AAG-SLV 5.27]	_____	_____	_____
4. Is the equity position of each fund or component unit in an internal investment pool (or in an external investment pool that is sponsored by the entity) reported as assets in those funds and component units? [GASB 31 par. 14 and 18, as amended (GASB Cod. sec. I50.113 and .117)]	_____	_____	_____
a. If a fund has overdrawn its share of the pool, has that fund reported an interfund liability to the fund that the government's management deems to have lent the cash or investments to the overdrawn fund, with the fund deemed to have lent the cash or investments reporting an interfund receivable from the borrowing fund? [AAG-SLV 5.27]	_____	_____	_____

Repurchase and Reverse Repurchase Agreements

5. Are yield maintenance repurchase and reverse repurchase agreements accounted for as purchases and sales of securities? [GASB 3 par. 83 (GASB Cod. sec. I50.115 and I55.119)]	_____	_____	_____
6. For reverse repurchase and fixed coupon reverse repurchase agreements			
a. are the assets and liabilities arising from the agreements not netted on the financial position statements?	_____	_____	_____
b. are the agreements reported as a liability captioned "obligations under reverse repurchase agreements," and the underlying securities reported as "investments"? [GASB 3 par. 81 (GASB Cod. sec. I55.115)]	_____	_____	_____
c. if the entity pools moneys from several funds for investment purposes, and the pool, rather than the individual funds, has the agreements, are the assets and liabilities reported in the financial position statements of the funds and activities that have the risk of loss on those assets (which may involve a pro rata allocation to the various funds and activities based on their equity in the pool)? [GASBI 3 par. 3, as amended by GASB 34 par. 15 (GASB Cod. sec. I55.117)]	_____	_____	_____

Securities Lending Transactions

7. Are the following items reported in the financial position statements:			
a. Securities lent? [GASB 28 par. 5 (GASB Cod. sec. I60.103)]	_____	_____	_____
b. Cash received as collateral and investments made with that cash?	_____	_____	_____
c. Securities received as collateral if the entity has the ability to pledge or sell them without a borrower default?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
d. Liabilities resulting from these transactions? [GASB 28 par. 6 (GASB Cod. sec. I60.104)]	_____	_____	_____
8. Are securities lending transactions (SLTs) collateralized by letters of credit or by securities that the entity does not have the ability to pledge or sell unless the borrower defaults not reported as assets or liabilities? [GASB 28 par. 7 (GASB Cod. sec. I60.105)]	_____	_____	_____
9. If the entity pools moneys from several funds for investment purposes, and the pool, rather than the individual funds, has SLTs, are the assets and liabilities reported in the financial position statements of the funds and activities that have the risk of loss on those assets (which may involve a pro rata allocation to the various funds and activities based on their equity in the pool)? [GASB 28 par. 9, as amended, and GASB 34 par. 15 (GASB Cod. sec. I60.107)]	_____	_____	_____
<i>Land and Other Real Estate Held as Investments by Endowments</i>			
10. Is land and other real estate held as investments by endowments reported at fair value at the reporting date?	_____	_____	_____
11. Are changes in fair value of land and other real estate held as investments by endowments during the period reported as investment income? [GASB 52 par. 4 (GASB Cod. sec. I50.106)]	_____	_____	_____

B. Nonexchange Transactions

Practice Tip

In a nonexchange transaction, a government (including the federal government, as a provider) either gives value (benefit) to another party without directly receiving equal value in exchange, or receives value (benefit) from another party without directly giving equal value in exchange. There are four classes of nonexchange transactions: derived tax revenues; imposed nonexchange revenues; government-mandated nonexchange transactions; and voluntary nonexchange transactions. *Derived tax revenues* result from assessments imposed by governments on exchange transactions. Examples include taxes on personal income, corporate income, and retail sales of goods and services. *Imposed nonexchange revenues* result from assessments by governments on nongovernmental entities, including individuals, other than assessments on exchange transactions. Examples include property (ad valorem) taxes; fines and penalties; and property forfeitures, such as seizures and escheats. *Government-mandated nonexchange transactions* occur when a government (including the federal government) at one level provides resources to a government at another level and requires that government to use them for a specific purpose or purposes established in the provider's enabling legislation. Examples include federal programs that state or local governments are mandated to perform, and state programs that local governments are mandated to perform. *Voluntary nonexchange transactions* result from legislative or contractual agreements, other than exchanges, entered into willingly by two or more parties. Examples include certain grants, certain entitlements, and donations by nongovernmental entities, including individuals (private donations).
[GASB 33 par. 7 (GASB Cod. sec. N50.104)]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
Entities that have implemented GASB Statement No. 65 may omit questions 1–2.			
1. Are nonexchange transaction resources received or reported as receivable before revenue recognition criteria are met recorded as deferred revenues? (For example, are property taxes or other revenues collected in advance of the fiscal year to which they apply recorded as deferred revenues?) [NCGA 1 par. 66 (GASB Cod. sec. 1600.114); GASB 33 par. 15–16, 18–19, and 21 (GASB Cod. sec. N50.112–.113, .115–.116, and .118); NCGAI 3 par. 7, as amended (GASB Cod. sec. P70.107)]	_____	_____	_____
2. Are nonexchange transaction resources transmitted before the eligibility requirements are met reported as advances? [GASB 33 par. 15, 19, and 21 (GASB Cod. sec. N50.112, .116, and .118)]	_____	_____	_____
Entities that have not implemented GASB Statement No. 65 may omit questions 3–5.			
3. Are deferred inflows of resources reported when resources associated with imposed nonexchange revenue transactions are received or reported as a receivable before (a) the period for which property taxes are levied or (b) the period when resources are required to be used or when use is first permitted for all other imposed nonexchange revenues in which the enabling legislation includes time requirements? [GASB 65 par. 9]	_____	_____	_____
4. In government-mandated or voluntary nonexchange transactions with eligibility requirements, are resources transmitted before the eligibility requirements are met (excluding time requirements) reported as assets by the provider and as liabilities by the recipient? [GASB 65 par. 10]	_____	_____	_____
5. In government mandated or voluntary nonexchange transactions with eligibility requirements, are resources that are received before time requirements are met, but after all other eligibility requirements are met, reported as a deferred outflow of resources by the provider and a deferred inflow of resources by the recipient? [GASB 65 par. 10]	_____	_____	_____
Food Stamps			
6. Are food stamp balances held by the state or by its agents at the financial statement date reported as an asset, but not classified as cash or cash equivalents? [GASB 24 par. 6 and fn 5 (GASB Cod. sec. F60.101 and fn 3); GASB 34 par. 12 (GASB Cod. sec. F60.102)]	_____	_____	_____
Entities that have implemented GASB Statement No. 65 may omit question 7.			
7. In governmental funds, are food stamp balances offset by deferred revenue? [GASB 24 par. 6 (GASB Cod. sec. F60.101)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
Entities that have not implemented GASB Statement No. 65 may omit question 8.			
8. In governmental funds, are food stamp balances offset by a liability that excludes the term <i>deferred</i> ? [GASB 24 par. 6 (GASB Cod. sec. F60.101), as amended by GASB 65 par. 31]	_____	_____	_____
C. Inventories			
1. As inventories are in a nonspendable form, are amounts of inventories classified as nonspendable fund balances in the balance sheet? [GASB 54 par. 6 (GASB Cod. sec. 1800.143)]	_____	_____	_____
2. Are significant amounts of governmental fund inventories (for example, materials and supplies) reported in the balance sheet? [NCGA 1 par. 73, as amended (GASB Cod. sec. 1600.127)]	_____	_____	_____
D. Capital Assets, Including Intangible Assets¹³			

Practice Tips

Capital assets includes land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. (Capital assets that have been or will be used in operations also are comprehended in this definition.) Infrastructure assets are long-lived capital assets that normally are stationary in nature and that normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems. Buildings, except those that are an ancillary part of a network of infrastructure assets, should not be considered infrastructure assets.

[GASB 34 par. 19 and GASB 42 par. 3 fn 2 (GASB Cod. sec. 1400.103 fn 2 and fn 3)]

GASB Statement No. 34 requires prospective reporting of general infrastructure assets in the statement of net assets (or net position if GASB Statement No. 63 is implemented) beginning at the effective dates of the statement. It also encourages retroactive reporting of all major general infrastructure assets at that date. Phase 1 governments should retroactively report all major general infrastructure assets for fiscal years beginning after June 15, 2005. Phase 2 governments should retroactively report all major general infrastructure assets for fiscal years beginning after June 15, 2006. Phase 3 governments are encouraged but are not required to report major general infrastructure assets retroactively. Major general infrastructure assets are (1) subsystems of general infrastructure assets for which the cost or estimated cost is expected to be at least 5 percent of the total cost of all general capital assets reported in the first fiscal year ending after June 15, 1999, or (2) networks of general infrastructure assets for which the costs or estimated cost is expected to be at least 10 percent of the total cost of all general capital assets reported in the first fiscal year ending after June 15, 1999.

[GASB 34 par. 148 and 156 (GASB Cod. sec. 1400.142 and .150)]

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, provides guidance for accounting and financial reporting of intangible assets which are included as a type of capital asset as defined in GASB Statement No. 34. The requirements of GASB Statement No. 51 are effective for financial statements for periods beginning after June 15, 2009, with certain transition rules for retroactive reporting.

[GASB 51 par. 1–23 (GASB Cod. sec. 1400.120–.135)]

¹³ See also the subsections on leases, landfill closure and postclosure care costs, and special assessments in the section of this checklist titled “Specialized Topics.”

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
1. Are capital assets of proprietary funds reported in both the government-wide and fund financial statements? [NCGA 1 par. 32 and 34, as amended (GASB Cod. sec. 1400.101); GASB 34 par. 92 (GASB Cod. sec. 1400.115)]	_____	_____	_____
2. Are capital assets of fiduciary funds (and similar component units) reported only in the statement of fiduciary net assets (or net position)? [NCGA 1 par. 32 and 34, as amended (GASB Cod. sec. 1400.101); GASB 34 par. 108 (GASB Cod. sec. 1400.116) or NCGA 1 par. 32, as amended by GASB 63 par. 6]	_____	_____	_____
3. Are all other of the entity's capital assets (general capital assets) not reported as assets in governmental funds but reported in the governmental activities column in the government-wide statement of net assets (or net position)? [NCGA 1 par. 32, as amended (GASB Cod. sec. 1400.101); GASB 34 par. 80 (GASB Cod. sec. 1400.114) or NCGA 1 par. 32, as amended by GASB 63 par. 6]	_____	_____	_____
4. Subject to the general rules for asset capitalization indicated in the preceding questions:			
a. For eligible infrastructure assets for which the entity uses the modified approach, are additions and improvements to those assets capitalized? (All other expenditures made for those assets should be expensed.) [GASB 34 par. 25 (GASB Cod. sec. 1400.107)]	_____	_____	_____
b. Are works of art, historical treasures, and similar assets capitalized unless the collection meets all of the following—held for public exhibition, education, or research in furtherance of public service, rather than financial gain; protected, kept unencumbered, cared for, and preserved; subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections; and not capitalized at June 30, 1999? [GASB 34 par. 27 and fn 22 (GASB Cod. sec. 1400.109 and fn 11)]	_____	_____	_____
c. Are intangible assets that meet the identifiable criteria reported in the statement of net assets (or net position) and meet the recognition, measurement, depreciation or amortization, impairment, presentation, and disclosure requirements applicable for capital assets? [GASB 51 par. 5 and 6 (GASB Cod. sec. 1400.122–123) or GASB 51 par. 6, as amended by GASB 63 par. 6]	_____	_____	_____
d. Are outlays for internally generated intangible assets only capitalized upon the occurrence of all of the following:			
i. Determination of the specific objective of the project and the nature of the service-capacity that is expected to be provided by the intangible asset upon completion of the project.	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
ii. Demonstration of the technical or technological feasibility for completing the project so that the intangible asset will provide its expected service capacity.	_____	_____	_____
iii. Demonstration of the current intention, ability, and presence of effort to complete, or in the case of a multiyear project, continue development of the intangible asset. [GASB 51 par. 8 (GASB Cod. sec. 1400.125)]	_____	_____	_____
5. In the government-wide statement of net assets (or net position)			
a. are capital assets that are being or that have been depreciated reported net of accumulated depreciation? (Accumulated depreciation may be reported on the face of the statement or disclosed in the notes.)	_____	_____	_____
b. are capital assets that are not being depreciated, such as land or infrastructure assets reported using the modified approach, reported in a separate line item if the entity has a significant amount of these assets? [GASB 34 par. 20 (GASB Cod. sec. 1400.112) or GASB 34 par. 20, as amended by GASB 63 par. 6]	_____	_____	_____
E. Clearing Account Assets			
1. If an agency fund is used as a clearing account to distribute financial resources to other funds of the government, is the portion of the clearing account balance that pertains to those other funds not reported in agency funds but rather reported as assets in the appropriate funds? [GASB 34 par. 111, as amended (GASB Cod. sec. 2200.176)]	_____	_____	_____
F. Liabilities, Including Debt			
1. Are long-term liabilities directly related to and expected to be paid from proprietary funds reported in the proprietary fund statement of net assets (or net position) and in the government-wide statement of net assets (or net position)? [NCGA 1 par. 42, as amended, and GASB 34 par. 30 and 92 (GASB Cod. sec. 1500.102); NCGA 1 par. 42 and GASB 34 par. 30 and 92, as amended by GASB 62 par. 6]	_____	_____	_____
2. Are long-term liabilities directly related to and expected to be paid from fiduciary funds (and similar component units) reported only in the statement of fiduciary net assets (or net position)? [NCGA 1 par. 42, as amended, and GASB 34 par. 6 and 108 (GASB Cod. sec. 1500.102); NCGA 1 par. 42 and GASB 34 par. 108, as amended by GASB 63 par. 6]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
3. Are all other reported unmatured long-term liabilities of the government (except interfund liabilities, certain long-term demand bonds, long-term tax and revenue anticipation notes, and certain principal and interest payments due early in the following year ¹⁴) not reported as liabilities in governmental funds but reported only in the governmental activities column in the government-wide statement of net assets (or net position)? [NCGA 1 par. 43, as amended, and GASB 34 par. 82 (GASB Cod. sec. 1500.103); NCGA 1 par. 43 and GASB 34 par. 82, as amended by GASB 63 par. 6]	_____	_____	_____
4. Are matured liabilities (other than those associated with proprietary or fiduciary funds) reported as governmental fund liabilities? (Matured liabilities include liabilities that normally are due and payable in full when incurred, and the matured portion of general long-term indebtedness, that is, the portion that has come due for payment.) [GASBI 6 par. 10 (GASB Cod. sec. 1500.107)]	_____	_____	_____
Customer Deposits			
5. For utility services reported in enterprise funds, are customer deposits for utility services reported in the fund and government-wide financial statements as liabilities until they are applied against unpaid billings or refunded to customers? [AAG-SLV 8.69]	_____	_____	_____
Compensated Absences Liabilities			
6. Are accrued liabilities for compensated absences reported in the government-wide and proprietary and fiduciary fund financial statements, but only reported in the governmental fund financial statements to the extent the liabilities are “normally expected to be liquidated with expendable available financial resources”? [GASB 16 par. 13, as amended by GASB 34 par. 6, 79, and 82; GASBI 6 par. 14 and 16 (GASB Cod. sec. C60.111); GASB 34 par. 16, 92, and 107 (GASB Cod. sec. C60.109 and .110)]	_____	_____	_____
Lottery Prizes			
7. Does the entity report a liability for lottery prizes? [AAG-SLV 12.118–.123]	_____	_____	_____
a. If the entity has purchased an annuity in the name of a prize-winner, does it not report a liability or asset, but disclose in the financial statements that a contingent liability exists, if appropriate? [AAG-SLV 12.120]	_____	_____	_____

¹⁴ If debt service fund resources have been provided during the current year for payment of principal and interest due early in the following year, the expenditure and related liability may be recognized in the debt service fund. *Early in the following year* refers to a short time period—usually one to several days and not more than one month. Accumulations of financial resources that do not meet the criterion for recognition of an additional debt service fund liability and expenditure should be reported as part of fund balance (NCGA 1 par. 72 [GASB Cod. sec. 1500.111]; GASBI 6 par. 13 and fn 5 [GASB Cod. sec. 1500.111–.112 and fn 3]).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>Bond, Tax, and Revenue Anticipation Notes</i>			
8. Are proprietary fund bond, tax, and revenue anticipation notes reported as current or long-term liabilities depending on the refinancing status in accordance with the criteria in FASB Statement No. 6, <i>Classification of Short-Term Obligations Expected to Be Refinanced—an amendment of ARB No. 43, Chapter 3A</i> (or GASB Statement No. 62 paragraph 36–44), and reported in the business-type activities column of the government-wide statement of net assets (or net position)? [NCGAI 9 par. 12 (GASB Cod. sec. B50.101); GASB 34 par. 15 (GASB Cod. sec. B50.103)]	_____	_____	_____
9. For governmental fund-related notes			
a. if bond anticipation notes meet the criteria for reporting on a long-term basis set forth in FASB Statement No. 6 (or GASB Statement No. 62 paragraph 36–44), are they not reported in the governmental funds but reported only as general long-term liabilities in the governmental activities column of the government-wide statement of net assets (or net position)?	_____	_____	_____
b. if bond anticipation notes do not meet the criteria for reporting on a long-term basis, are they reported both in the governmental fund receiving the proceeds and in the governmental activities column of the government-wide statement of net assets (or net position)?	_____	_____	_____
c. are tax and revenue anticipation notes reported as a liability in the governmental fund receiving proceeds and in the governmental activities column of the government-wide statement of net assets (or net position)? [NCGAI 9 par. 12, as amended (GASB Cod. sec. B50.102); GASB 34 par. 15 (GASB Cod. sec. B50.103)]	_____	_____	_____
<i>Debt Refundings</i>			
10. In governmental funds ¹⁵			
a. for current and advance refundings resulting in defeasance of general long-term debt, is the face amount of the new debt reported as an “other financing source—refunding bonds” in the governmental fund receiving the proceeds?	_____	_____	_____
b. for advance refundings, are payments to the escrow agent from resources provided by the new debt reported as an “other financing use—payment to refunded bond escrow agent” and are payments to the escrow agent made from other resources of the entity reported as debt service expenditures? [GASB 7 par. 8, as amended by GASB 34 par. 82 and par. 88; GASB 37 par. 16 (GASB Cod. sec. 1800.109 and D20.106)]	_____	_____	_____

¹⁵ Because other financing sources and uses, rather than gains or losses, are reported for debt refundings in governmental funds, those transactions should not be reported as extraordinary items in governmental funds (GASB 34 par. 89 [GASB Cod. sec. 1800.131 and 2200.162]).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
Entities that have implemented GASB Statement No. 65 may omit question 11.			
11. For current and advance refundings in proprietary funds, is the unamortized difference between the reacquisition price and the net carrying amount of the old debt deferred and reported as a deduction from or an addition to the new debt liability on the statement of net assets (or net position)? (The new debt may be reported "net," with either parenthetical or note disclosure of the deferred amount on refunding; or it may be reported "gross," with both the debt liability and related deferred amount presented in the statement of net assets [or net position].) [GASB 23 par. 4, as amended by GASB 34 par. 15 and 91 (GASB Cod. sec. D20.108); GASB 23 fn 5, as amended by GASB 34 par. 91 (GASB Cod. sec. D20 fn 6) or GASB 23 par. 4, as amended by GASB 63 par. 6]	_____	_____	_____
Entities that have not implemented GASB Statement No. 65 may omit question 12.			
12. For current refundings and advance refundings resulting in defeasance of debt reported by governmental activities, business-type activities, and proprietary funds, is the difference between the reacquisition price and the net carrying amount of the old debt reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter? [GASB 65 par. 6]	_____	_____	_____
13. In the government-wide financial statements, are all current and advance refundings, including refundings of general long-term debt (which should be reported in the governmental activities column), reported in the same manner as in proprietary fund financial statements as indicated in the preceding question 11? [GASB 34 par. 16 and 82 (GASB Cod. sec. D20.110)]	_____	_____	_____
Demand Bonds			
14. Are demand bonds reported as general long-term liabilities (and reported only in the government-wide statement of net assets [or net position]) or excluded from current liabilities of proprietary funds if all of the following conditions are met:			
a. Before the financial statements are issued, the issuer has entered into an arm's-length financing (take out) agreement to convert bonds "put" but not resold into some other form of long-term obligation?	_____	_____	_____
b. The take out agreement does not expire within one year from the issuer's financial statement date?	_____	_____	_____
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?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
d. The lender or the prospective lender or investor is expected to be financially capable of honoring the take out agreement? [GASBI 1 par. 10, as amended by GASB 34 par. 12, 82, and 97 (GASB Cod. sec. D30.108) or GASBI par. 10, as amended by GASB 63 par. 6]	_____	_____	_____
15. If the conditions listed in question 13 are not met, are demand bonds reported as liabilities in the governmental fund used to account for the proceeds of the bond issue or, in the case of proprietary funds, as current liabilities? [GASBI 1 par. 10 (GASB Cod. sec. 1800.111 and D30.108); GASBI 1 par. 13 (GASB Cod. sec. 1800.111 and D30.109)]	_____	_____	_____
16. If, because a take out agreement expires, it is necessary to report a liability in a governmental fund for demand bonds previously reported only in the government-wide statement of net assets (or net position), is the liability reported as a liability of the governmental fund in which the proceeds of the issue were initially reported with a corresponding debit to "other financing uses"? [GASBI 1 par. 13 (GASB Cod. sec. 1800.111 and D30.109); GASB 34 par. 82 (GASB Cod. sec. D30.109) or GASB 34 par. 82, as amended by GASB 63 par. 6]	_____	_____	_____
17. Are redemptions of demand bonds reported in governmental funds reported as expenditures of the fund from which debt service is normally paid and the demand bond liability reduced simultaneously by a credit to "other financing sources"? [GASBI 1 par. 13 (GASB Cod. sec. 1800.111 and D30.109)]	_____	_____	_____
18. If a take out agreement has been exercised converting demand bonds to an installment loan, is the installment loan reported as general long-term debt (or as long-term debt in the proprietary funds and business-type activities) and is the payment schedule under the installment loan included as part of the schedule of debt service requirements to maturity? [GASBI 1 par. 12 (GASB Cod. sec. D30.112)]	_____	_____	_____
<i>Long-Term Obligations That Are Callable Because of Covenant Violations</i>			
19. Are long-term obligations that are or will be callable by the creditor (because the debtor's violation of a provision of the debt agreement at the financial statement date makes the obligation callable or because the violation, if not cured within a specified grace period, will make the obligation callable) classified as a current liability unless one of the following conditions is met:			
a. The creditor has waived or subsequently lost the right to demand repayment for more than one year (or operating cycle, if longer) from the financial statement date?	_____	_____	_____
b. For long-term obligations containing a grace period within which the debtor may cure the violation, it is probable that the violation will be cured within that period, thus preventing the obligation from becoming callable? [SFAS 78 par. 5, GASB 62 par. 34]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
20. If an obligation as discussed in question 18 is classified as a long-term liability, are the circumstances disclosed? [SFAS 78 par. 5, GASB 62 par. 44]	_____	_____	_____
<i>Contingent Liabilities</i>			
21. If fund liabilities for which the entity is contingently liable (for example, through a general obligation backing on enterprise fund debt) 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 financial position statements and are all significant facts with respect to the situation disclosed? [NCGA 1 par. 46, as amended, and 158 (GASB Cod. sec. 2300.106d and 1500.114)]	_____	_____	_____
G. Net Position			
1. If the entity receives nonexchange transaction resources that have purpose restrictions, does it report the resulting equity 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? [GASB 33 par. 14 and 22 and fn 9 (GASB Cod. sec. N50.111 and .119 and fn 8)]	_____	_____	_____
2. If the entity uses the purchases method to account for inventories, does it report those inventories as nonspendable fund balance? [GASB 54 par. 6; GASB Cod. sec. 1800.143]	_____	_____	_____
V. Revenues and Expenses/Expenditures¹⁶			
A. Income on Investments and Investment-Related Activity¹⁷			
1. Is investment income, including changes in the fair value of investments, reported as revenue in the activity statements?	_____	_____	_____
2. 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”?	_____	_____	_____
3. 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, as amended (GASB Cod. sec. I50.112)]	_____	_____	_____
4. If income from investments associated with one fund is assigned to another fund because of legal or contractual provisions, is the reporting treatment based on the specific language of those provisions?	_____	_____	_____

¹⁶ See also the section of this checklist titled “Specialized Topics.”

¹⁷ See also the subsections on derivative instruments, governmental external investment pools, employee benefit pension plans—stand-alone plan reporting and employee other postemployment benefit plans—stand-alone plan reporting, and public entity risk pools in the section of this checklist titled “Specialized Topics.”

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
5. If income from investments associated with one fund is assigned to another fund for other than legal or contractual reasons—for example, management decision—is the income reported in the fund that reports the investments with the transfer of that income to the recipient fund reported as an interfund transfer? [GASB 31 par. 14 and fn 8, as amended (GASB Cod. sec. I50.113 and fn 11)]	_____	_____	_____
<i>Repurchase and Reverse Repurchase Agreements</i>			
6. Is the income from repurchase and fixed coupon repurchase agreements shown as interest income? [GASB 3 par. 82 (GASB Cod. sec. I50.114)]	_____	_____	_____
7. Are yield maintenance repurchase and reverse repurchase agreements accounted for as purchases and sales of securities, with gains or losses reported? [GASB 3 par. 83 (GASB Cod. sec. I50.115 and I55.119)]	_____	_____	_____
8. Concerning reverse repurchase and fixed coupon reverse repurchase agreements:			
a. Is the interest cost of the agreements reported as interest expenditure or expense, or both, and not netted with interest earned on any related investments? [GASB 3 par. 82 (GASB Cod. sec. I55.116)]	_____	_____	_____
b. Is the income and costs arising from pooled agreements reported in the activity statements of the funds and activities that have the risk of loss on the assets (which may involve a pro rata allocation to the various funds and activities based on their equity in the pool)? [GASBI 3 par. 4, as amended (GASB Cod. sec. I55.118)]	_____	_____	_____
c. If income from pooled reverse repurchase agreements that represent equity associated with one fund become the assets of another fund because of legal or contractual provisions, is the reporting treatment based on the specific language of those provisions? [GASBI 3 par. 4 and fn 3, as amended (GASB Cod. sec. I55.118 and fn 6)]	_____	_____	_____
d. If income from pooled agreements that represent equity associated with one fund become the assets of another fund for other than legal or contractual reasons—for example, management decision—is the income and costs reported in the fund that reports the equity with the transfer of those amounts to the recipient fund reported as an interfund transfer? [GASBI 3 par. 4, as amended (GASB Cod. sec. I55.118)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>Securities Lending Transactions</i>			
9. Concerning SLTs:			
a. Are the costs of SLTs, including borrower rebates (which should be reported as interest expenditures or expenses) and agent fees, reported as expenditures or expenses, and not netted with interest revenue or income from the investment of cash collateral, any other related investments, or loan premiums or fees? [GASB 28 par. 8 (GASB Cod. sec. I60.106)]	_____	_____	_____
b. Are the income and costs arising from pooled SLTs reported in the activity statements of the funds and activities that have the risk of loss on the assets (which may involve a pro rata allocation to the various funds and activities based on their equity in the pool)? [GASB 28 par. 10, as amended (GASB Cod. sec. I60.108)]	_____	_____	_____
c. If income from pooled SLTs that represent equity associated with one fund become the assets of another fund because of legal or contractual provisions, is the reporting treatment based on the specific language of those provisions? [GASB 28 par. 10 and fn 9, as amended (GASB Cod. sec. I60.108 and fn 9)]	_____	_____	_____
d. If income from pooled SLTs that represent equity associated with one fund become the assets of another fund for other than legal or contractual reasons—for example, management decision—is the income and costs reported in the fund that reports the equity with the transfer of those amounts to the recipient fund reported as an interfund transfer? [GASB 28 par. 10, as amended (GASB Cod. sec. I60.108)]	_____	_____	_____
B. Nonexchange Transactions¹⁸			
1. Does the entity report fees received for administering pass-through grants as revenues? [AAG-SLV 8.42]	_____	_____	_____
2. Does the entity report retiree drug subsidy payment received from the federal government under Medicare Part D as voluntary nonexchange revenues? [GTB 2006-1 par. 2–3 (GASB Cod. sec. P50.602)]	_____	_____	_____
<i>On-Behalf Payments for Fringe Benefits and Salaries</i>			
3. Does a paying government classify the expenditures or expenses for the on-behalf payments for fringe benefits and salaries that it makes in the same manner that it classifies similar cash grants to other entities? [GASB 24 par. 13, as amended (GASB Cod. sec. N50.135)]	_____	_____	_____

¹⁸ The practice tip in the subsection on nonexchange transactions in the section of this checklist titled “Assets, Liabilities, and Net Position” provides definitions, classifications, and examples of nonexchange transactions.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>Food Stamps</i>			
4. If the entity is a state government, does it report distributions of food stamp benefits as revenue and expenditures in the general fund or a special revenue fund and as revenues and expenses in the governmental activities column of the government-wide financial statements? [GASB 24 par. 6 (GASB Cod. sec. F60.101); GASB 34 par. 12 (GASB Cod. sec. F60.102)]	_____	_____	_____
C. Capital Asset-Related Revenues and Expenses/Expenditures			
1. In the government-wide, proprietary fund, and fiduciary fund activity statements			
a. is depreciation reported on capital assets? (Inexhaustible capital assets, infrastructure assets reported using the modified approach, and intangible assets with indefinite lives are not depreciated.) [GASB 34 par. 21 (GASB Cod. sec. 1400, 3rd principle, .104 and fn 1); GASB 34 par. 22, 92, and 107 (GASB Cod. sec. 1400, 3rd principle); GASB 34 par. 29 (GASB Cod. sec. 1400.111)]	_____	_____	_____
b. are intangible assets with indefinite useful lives not depreciated, and those with definite lives amortized over a useful life that does not exceed the period to which the service capacity of the asset is limited? [GASB 51 par. 17 (GASB Cod. sec. 1400.104)]	_____	_____	_____
c. for eligible infrastructure assets for which the entity uses the modified approach, are expenditures made to maintain those assets expensed? (Additions and improvements to those assets should be capitalized.) [GASB 34 par. 25 (GASB Cod. sec. 1400.107)]	_____	_____	_____
d. when donated collection items are added to noncapitalized collections of works of art, historical treasures, and similar assets, does the entity report offsetting revenue and expense? [GASB 34 par. 28 (GASB Cod. sec. 1400.110 and N50 fn 10)]	_____	_____	_____
2. In the government-wide statement of activities			
a. if the entity uses a separate line item to report unallocated depreciation expense, does it clearly indicate on the face of the statement that this line item excludes direct depreciation expenses of the various programs? [GASB 34 par. 44 (GASB Cod. sec. 2200.132)]	_____	_____	_____
b. is depreciation expense for general infrastructure assets reported as either a direct expense of the function (for example, public works or transportation) that the entity normally associates with capital outlays for, and maintenance of, infrastructure assets or as a separate line in the statement of activities? [GASB 34 par. 45 (GASB Cod. sec. 2200.133)]	_____	_____	_____
3. In governmental funds, are capital asset purchases reported as expenditures? [GASB 34 par. 80 (GASB Cod. sec. 1400.114)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
4. Concerning capital asset impairments:			
a. Are impairment losses (and accounting gains that result from insured impairments) reported in the statement of activities and in the statement of revenues, expenses, and changes in fund net assets (or net position), as a program or operating expense, special item, or extraordinary item, as appropriate? [GASB 42 par. 17 and fn 6 (GASB Cod. sec. 1400.173 and fn 26); GASB 42 par. 17, as amended by GASB 63 par. 6]	_____	_____	_____
b. Are impairment losses reported as program expense generally reported as a direct expense of the program that uses or used the impaired capital asset? [GASB 42 par. 17 (GASB Cod. sec. 1400.173; GASB 42 par. 17, as amended by GASB 63 par. 6)]	_____	_____	_____
5. Concerning insurance recoveries and asset restorations and replacements relating to capital asset impairments: ¹⁹			
a. In governmental fund financial statements, is the restoration or replacement of an impaired capital asset reported as a transaction separate from the associated insurance recovery?	_____	_____	_____
i. Is the insurance recovery reported as an other financing source or extraordinary item, as appropriate?	_____	_____	_____
b. In governmental and business-type activities in government-wide financial statements and in proprietary fund financial statements, is the restoration or replacement of an impaired capital asset reported as a transaction separate from the impairment loss and associated insurance recovery?	_____	_____	_____
i. Is the impairment loss reported net of the associated insurance recovery when the recovery and loss occur in the same year?	_____	_____	_____
ii. Are insurance recoveries reported in subsequent years reported as a program revenue, nonoperating revenue, or extraordinary item, as appropriate? [GASB 42 par. 21 (GASB Cod. sec. 1400.177)]	_____	_____	_____
D. Other			
1. Are insurance recoveries other than those relating to impairment of capital assets, such as for theft or embezzlement of cash or other monetary assets, reported as described in question 5? [GASB 42 par. 22 (GASB Cod. sec. C50.125)]	_____	_____	_____

¹⁹ In accordance with the provisions of GASB Cod. sec. C50, recoveries received from internal service funds should be accounted for as indicated in this question. Recoveries received from the general fund should be accounted for as reimbursements to the extent of the impairment loss, if any, and be reported as transfers in the fund financial statements for amounts in excess of the impairment loss, if any (GASB 42 fn 8 [GASB Cod. sec. 1400 fn 28]).

VI. Note Disclosures

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
Practice Tips			
The notes to the financial statements, which form an integral part of the basic financial statements, should communicate information essential for fair presentation of the basic financial statements that is not displayed on the face of the financial statements. [GASB 34 par. 113 (GASB Cod. sec. 2300.102)]			
Disclosure in the notes to the financial statements is needed only when the information required to be disclosed is not displayed on the face of the financial statements. [GASB 38 par. 5 (GASB Cod. sec. 2300.103)]			
This section of the checklist includes question regarding note disclosure requirements that are not addressed in the section VII, "Specialized Topics."			
A. Focus of Note Disclosures			
1. Do the note disclosures			
a. distinguish between information pertaining to the primary government (including its blended component units) and that of its discretely presented component units? [GASB 14 par. 62 (GASB Cod. sec. 2300.104 and 2600.121)]	_____	_____	_____
b. focus on the primary government—specifically, its governmental activities, business-type activities, major funds individually, and nonmajor funds in the aggregate (including blended component units)? [GASB 14 par. 63, as amended by GASB 34 par. 113 (GASB Cod. sec. 2300.102 and 2600.122)]	_____	_____	_____
c. encompass individual discretely presented component units considering both (1) the unit's significance relative to the total discretely presented component units and (2) the nature and significance of the unit's relationship to the primary government? [GASB 14 par. 63 (GASB Cod. sec. 2300.105 and 2600.122)]	_____	_____	_____
Entities that have not implemented GASB Statement No. 61 may omit questions 1d–e.			
d. Do the note disclosures encompass governmental and business-type activities, major funds individually, and nonmajor funds in the aggregate of the primary government (including its blended component units)? [GASB 61 par. 11(a)]	_____	_____	_____
e. Do the note disclosures encompass major discretely presented component units considering the nature and significance of each component unit's relationship to the primary government? [GASB 61 par. 11(b)]	_____	_____	_____

B. Summary of Significant Accounting Policies²⁰

- | | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|--|------------|-----------|------------|
| 1. Is a summary of significant accounting policies included as a stand-alone summary or as the initial note to financial statements?
[NCGAI 6 par. 8, as amended (GASB Cod. sec. 2300.110); APB 22 par. 15, GASB 62 par. 90–94] | _____ | _____ | _____ |
| 2. Does the summary of significant accounting policies include | | | |
| a. a description of the government-wide financial statements, noting that neither fiduciary funds nor component units that are fiduciary in nature are included?
[GASB 34 par. 115 (GASB Cod. sec. 2300.106a)] | _____ | _____ | _____ |
| b. a description of component units, their relationships to the primary government, how they are reported (blended or discretely presented) and the reasons therefore, the criteria for including component units (that is, the reason(s) an entity is reported as a component unit), how to obtain separate financial statements for individual component units, and the effect of component units with differing fiscal years?
[GASB 14 par. 60, as amended (GASB Cod. sec. 2300.901 and 2600.119); GASB 14 par. 61 (GASB Cod. sec. 2300.106a and .901 and 2600.120)] | _____ | _____ | _____ |
| Entities that have not implemented GASB Statement No. 61 may omit question 2c. | | | |
| c. did the financial reporting entity disclose the rationale for including each component unit and the manner in which it is included?
[GASB 61 par. 11(b)] | _____ | _____ | _____ |
| d. if the primary government is presented in more than a single column in the basic financial statements, a description of the activities accounted for in each major fund, the internal service funds, and the fiduciary fund types? (Except for the general fund or its equivalent, the descriptions should be specific to the entity, rather than general definitions that could describe any government.)
[GASB 38 par. 6 (GASB Cod. sec. 1300.125 and 2300.106a)] | _____ | _____ | _____ |
| e. the measurement focus and basis of accounting used in the government-wide and fund financial statements?
[NCGAI 6, appendix, as amended (GASB Cod. sec. 2300.901); GASB 34 par. 115 (GASB Cod. sec. 2300.106a); GASB 34 par. 115, as amended by GASB 63 par. 6] | _____ | _____ | _____ |

²⁰ Certain note disclosures listed elsewhere in this checklist should or may be located in the summary of significant accounting policies. See GASB Cod. Section 2300.106a.

		<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>f.</i>	the revenue recognition policies used in fund financial statements, including the length of time used to define available (as used in the modified accrual basis of accounting) for purposes of revenue recognition in the governmental fund financial statements? [NCGA 1 par. 69 (GASB Cod. sec. 1600.108 and 2300.106a); GASB 38 par. 7 (GASB Cod. sec. 1600.106 and 2300.106a); GASB 34 par. 115, as amended by GASB 63 par. 6]	_____	_____	_____
<i>g.</i>	the policy for eliminating internal activity in the government-wide statement of activities, including, if applicable, that an administrative overhead component is included in direct expenses? [GASB 34 par. 43 (GASB Cod. sec. 2200.131); GASB 34 par. 115 (GASB Cod. sec. 2300.106a); GASB 34 par. 115, as amended by GASB 63 par. 6]	_____	_____	_____
<i>h.</i>	the policy for interfund eliminations in the fund financial statements? [NCGAI 6, appendix, as amended (GASB Cod. sec. 2300.901)]	_____	_____	_____
<i>i.</i>	the policy for capitalizing assets and for estimating the useful lives of those assets (used to calculate depreciation expense)?	_____	_____	_____
<i>j.</i>	a description of the modified approach for reporting eligible infrastructure assets, if used?	_____	_____	_____
<i>k.</i>	the types of transactions included in program revenues in the statement of activities?	_____	_____	_____
<i>l.</i>	the policy for allocating indirect expenses to functions in the statement of activities? [GASB 34 par. 115 (GASB Cod. sec. 2300.106a); GASB 34 par. 115, as amended by GASB 63 par. 6]	_____	_____	_____
<i>m.</i>	the policy for defining operating and nonoperating revenues of proprietary funds? [GASB 34 par. 102 (GASB Cod. sec. 2200.171, 2300.106a, and P80.118); GASB 34 par. 115 (GASB Cod. sec. 2300.106a); GASB 34 par. 115, as amended by GASB 63 par. 6]	_____	_____	_____
Entities that have implemented GASB Statement No. 62 may omit question 2n.				
<i>n.</i>	the policy for applying FASB pronouncements issued after November 30, 1989, to business-type activities and to enterprise funds of the primary government? [GASB 34 par. 115 (GASB Cod. sec. 2300.106a); GASB 34 par. 115, as amended by GASB 62 par. 4; GASB 63 par. 6]	_____	_____	_____
<i>o.</i>	the definition of cash and cash equivalents used in the statement of cash flows for proprietary funds? [GASB 9 par. 11 (GASB Cod. sec. 2300.106a and 2450.108)]	_____	_____	_____

		<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>p.</i>	the government's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets (or net position) are available? [GASB 34 par. 115 (GASB Cod. sec. 2300.106a); GASB 34 par. 115, as amended by GASB 63 par. 6]	_____	_____	_____
<i>q.</i>	significant or unusual accounting treatment for other material account balances or activities? [NCGAI 6, appendix, as amended (GASB Cod. sec. 2300.901)]	_____	_____	_____
<i>r.</i>	the method and period of amortization for intangible assets? [GASB 51 par. 5 (GASB Cod. sec. 2300.106a[7])]	_____	_____	_____
<i>s.</i>	the basis for stating inventories, including the method of determining cost? [ARB 43, ch. 3A par. 9; and APB 22 par. 13, GASB 62 par. 201]	_____	_____	_____
<i>t.</i>	the government's fund balance classification policies and procedures related to committed and assigned fund balances? [GASB 54 par. 23 (GASB Cod. sec. 1800.160)]	_____	_____	_____
<i>u.</i>	the government's policy regarding whether it considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available? [GASB 54 par. 18 and 23 (GASB Cod. sec. 1800.155 and .160c)]	_____	_____	_____
<i>v.</i>	the government's policy regarding whether committed, assigned, or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used? [GASB 54 par. 23 (GASB Cod. sec. 1800.160c)]	_____	_____	_____
<i>w.</i>	information related to stabilization arrangements even if the arrangement does not meet the criteria to be classified as restricted or committed? [GASB 54 par. 26 (GASB Cod. sec. 1800.163)]	_____	_____	_____
<i>x.</i>	the government's minimum fund balance policies, if applicable? [GASB 54 par. 27 (GASB Cod. sec. 1800.164)]	_____	_____	_____

C. Financial Instruments²¹

- Are the investment disclosures organized by investment type, unless otherwise required?
[GASB 40 par. 4 (GASB Cod. sec. I50.124)]

²¹ See also the subsections on derivative instruments and governmental external investment pools in the section of this checklist titled "Specialized Topics."

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
2. Are the disclosures required by GASB Statement No. 3, <i>Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements</i> , made for the primary government, including its blended component units, with the risk disclosures required by GASB Statement No. 40, <i>Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3</i> , also made for governmental and business-type activities, individual major funds, nonmajor funds in the aggregate, or fiduciary funds when the risk exposures are significantly greater than the deposit and investment risks of the primary government? [GASB 40 par. 5 (GASB Cod. sec. C20.104, I50.122, and I55.107)]	_____	_____	_____
3. For deposits with financial institutions and investments (including repurchase agreements), do note disclosures include			
a. a brief description of the types of investments authorized by legal or contractual provisions?	_____	_____	_____
b. the differences 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, blended component units, or discretely presented component units have material investment activity compared with the reporting entity's investment activity? [GASB 3 par. 65 (GASB Cod. sec. I50.125)]	_____	_____	_____
c. deposit and investment policies that are related to disclosed credit quality, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk? (If a government has no deposit or investment policy that addresses a specific type of risk that it is exposed to, the disclosure should indicate that fact.) [GASB 40 par. 6 (GASB Cod. sec. C20.109 and I50.127)]	_____	_____	_____
d. the U.S. dollar balances of deposits and investments that are exposed to foreign currency risk, organized by currency denomination and, if applicable, investment type? [GASB 40 par. 17 (GASB Cod. sec. C20.108 and I50.134)]	_____	_____	_____
e. significant violations during the period of legal or contractual provisions for deposits and investments and actions taken to address such violations? [GASB 3 par. 66 (GASB Cod. sec. C20.106 and I50.126); GASB 38 par. 9 (GASB Cod. sec. 1200.112, C20.106, and I50.126)]	_____	_____	_____
f. losses recognized during the period due to default by counterparties to deposit or investment transactions and amounts recovered from prior-period losses, if not separately displayed on the activity statement? [GASB 3 par. 75 (GASB Cod. sec. C20.110 and I50.136)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
4. If the entity has deposits, including deposits that represent cash collateral on SLTs, as of the financial statement date that are exposed to custodial credit risk as defined by GASB Statement No. 40 paragraph 8, do note disclosures include the amount of the bank balances, the fact those balances are uninsured, and the basis on which the balances are exposed to custodial credit risk? [GASB 40 par. 8 (GASB Cod. sec. C20.107); GASB 40 par. 10 (GASB Cod. sec. I60.114 fn 14)]	_____	_____	_____
5. If the entity has investment securities (including securities underlying repurchase agreements) as of the financial statement date that are exposed to custodial credit risk as defined by GASB Statement No. 40 paragraph 9, do note disclosures include the investments' type, the reported amount, and how the securities are held? (Investments in external investment pools, investments in open-end mutual funds, and securities underlying reverse repurchase agreements do not require this disclosure. GASB Statement No. 40 paragraph 10, explains the application of this disclosure requirement to collateral and underlying securities for SLTs.) [GASB 40 par. 9 (GASB Cod. sec. I50.129); GASB 40 par. 10 (GASB Cod. sec. I60.114)]	_____	_____	_____
6. For investments, do note disclosures include			
a. information about investment valuation, including			
i. 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?	_____	_____	_____
ii. the policy for determining which investments, if any, are reported at amortized cost? [GASB 31 par. 15 (GASB Cod. sec. I50.120)]	_____	_____	_____
b. the credit quality ratings of investments in debt securities (including investments in external investment pools, money market funds, bond mutual funds, and other pooled investments of fixed income securities) as described by rating agencies as of the financial statement date? (In general, obligations of the U.S. government and obligations explicitly guaranteed by the U.S. government do not require this disclosure. In addition, if a credit quality disclosure is required and the investment is unrated, the disclosure should indicate that fact.) [GASB 40 par. 7 (GASB Cod. sec. I50.128)]	_____	_____	_____
c. concentration of credit risk, that is, the amount and issuer when investments in any one issuer represents 5 percent or more of total investments based on the level of detail described in GASB Statement No. 40 paragraph 5? (See question 2 in this section.) (Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments do not require this disclosure.) [GASB 40 par. 11 (GASB Cod. sec. I50.130); GASB 40 par. 12 (GASB Cod. sec. Pe5.124e); GASB 40 par. 13 (GASB Cod. sec. Pe6.104c)]	_____	_____	_____

		<u>Yes</u>	<u>No</u>	<u>N/A</u>
d.	information about the interest rate risk of debt investments using a disclosure method described in GASB Statement No. 40 paragraph 15, as amended, with information about assumptions regarding cash flows, interest rate factors, and other factors that affect interest rate risk? (This disclosure should include investments in mutual funds, external investment pools, or other pooled investments that do not meet the definition of a 2a7-like pool.) [GASB 40 par. 14 and 15, as amended (GASB Cod. sec. I50.131–.132)]	_____	_____	_____
e.	the terms of investments with fair values that are highly sensitive to changes in interest rates? [GASB 40 par. 14 and 16 (GASB Cod. sec. I50.131 and .133)]	_____	_____	_____
f.	for any investments in external investment pools that are not Securities and Exchange Commission (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?	_____	_____	_____
g.	any involuntary participation in an external investment pool?	_____	_____	_____
h.	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?	_____	_____	_____
i.	any income from investments associated with one fund that is assigned to another fund? [GASB 31 par. 15 (GASB Cod. sec. I50.120)]	_____	_____	_____
7.	If the entity discloses realized gains and losses			
a.	do the amounts include all realized gains and losses for the year? ²²	_____	_____	_____
b.	does the disclosure state that the calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments?	_____	_____	_____

²² GASBI 3, *Financial Reporting for Reverse Repurchase Agreements—an interpretation of GASB Statement No. 3*, paragraph 5 (GASB Cod. sec. I55 fn 5), GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, footnote 12 (GASB Cod. sec. I60 fn 12), and GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, footnote 9 (GASB Cod. sec. I50 fn 13) provide that the required disclosure of default losses and recoveries for reverse repurchase agreements and securities lending transactions does not constitute a disclosure of realized gains and losses that would require disclosure of all realized gains and losses for the year. It logically follows that the disclosure of default losses and recoveries on deposit or investment transactions required by GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, paragraph 75 (GASB Cod. sec. C20.110 and I50.136) also would not constitute a disclosure of realized gains and losses that would require disclosure of all realized gains and losses for the year.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. does the disclosure state 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 25 par. 29 fn 10 (GASB Cod. sec. Pe5.121 fn 9); GASB 43 par. 27 (GASB Cod. sec. Po50.123d and fn 6); GASB 31 par. 15 (GASB Cod. sec. I50.120)]	_____	_____	_____
8. Are the following disclosures made for investments in common stock accounted for using the equity method:			
a. The name of each investee and percentage of ownership of common stock?	_____	_____	_____
b. The accounting policies relative to equity method investments?	_____	_____	_____
c. The difference, if any, between the amount at which an investment is carried and the amount of underlying equity in net assets (or net position) and the accounting treatment of the difference?	_____	_____	_____
d. The aggregate fair value of each identified investment for which a quoted market price is available? [GASB 31 par. 5 (GASB Cod. sec. I50.104); APB 18 par. 20; GASB 62 par. 210]	_____	_____	_____
9. If there are commitments as of the financial statement date to resell securities under yield maintenance repurchase agreements, does the entity disclose the reported amount (if applicable) and fair value as of that date of the securities to be resold and a description of the terms of the agreements (such as settlement price ranges, agreed-on yields, maturity dates, and so forth)? [GASB 3 par. 72, as amended (GASB Cod. sec. I50.135)]	_____	_____	_____

Futures Contracts

10. If the entity enters into futures contracts that are accounted for as hedges, does it disclose			
a. the objectives for entering into the futures contracts, the context needed to understand those objectives, the strategies for achieving those objectives, and the types of futures contracts?	_____	_____	_____
b. terms including the notional amount, reference rates, embedded options, date on which the hedging derivative instrument was entered into and when it is scheduled to terminate or mature?	_____	_____	_____
c. risks including credit risk, basis risk, interest rate risk, termination risk, roll-over risk, market-access risk, and foreign currency risk?	_____	_____	_____
d. net cash flows based on GASB Statement No. 34 if the hedged item is a debt obligation?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
e. other quantitative method of evaluating effectiveness if effectiveness is evaluated by application of a quantitative method not specifically identified in GASB Statement No. 53? [GASB 20 par. 6, as amended (GASB Cod. sec. P80.102); GASB 34 par. 17 (GASB Cod. sec. 1600.104) or GASB 53 par. 70–75 (GASB Cod. sec. D40.167–171 and SFAS 80 par. 12 ²³)]	_____	_____	_____
Foreign Currency Translation			
11. Does the entity disclose the following:			
a. The aggregate transaction gain or loss including in determining results of operations for the period?	_____	_____	_____
b. Rate changes that occur after the financial statement date and their effects on unsettled balances pertaining to foreign currency transactions, if significant?	_____	_____	_____
c. An analysis and discussion of the effect of rate changes on the reported results of operations? [GASB 20 par. 6; GASB 34 par. 92–93 (GASB Cod. sec. P80.102); GASB 34 par. 17 (GASB Cod. sec. 1600.104); SFAS 52 par. 30, 32, and 143–144; GASB 62 par. 170–171]	_____	_____	_____
Reverse Repurchase Agreements			
12. Do note disclosures include			
a. the source of legal or contractual authorization for the use of reverse repurchase agreements, if those agreements were used during the period? [GASB 3 par. 76 (GASB Cod. sec. I55.109)]	_____	_____	_____
b. significant violations during the period of legal or contractual provisions for reverse repurchase agreements and actions taken to address such violations? [GASB 3 par. 77 (GASB Cod. sec. I55.110); GASB 38 par. 9 (GASB Cod. sec. 1200.112)]	_____	_____	_____
c. for reverse repurchase agreements other than yield maintenance agreements outstanding as of the financial statement date, the credit risk related to the agreements? (Credit risk is calculated by comparing the aggregate amount of the reverse repurchase agreement obligations including accrued interest with the aggregate fair value of the securities underlying those agreements including accrued interest.) [GASB 3 par. 78, as amended (GASB Cod. sec. I55.111)]	_____	_____	_____
d. for commitments as of the financial statement date to repurchase securities under yield maintenance agreements, the fair value as of that date of the securities to be repurchased and a description of the terms of the agreements (such as settlement price ranges, agreed-on yields, maturity dates, and so forth)? [GASB 3 par. 79, as amended (GASB Cod. sec. I55.112)]	_____	_____	_____

²³ Although FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, superseded FASB Statement No. 80, *Accounting for Futures Contracts*, it did not supersede FASB Statement No. 80 for a governmental entity's funds and activities (a) that are required to apply private-sector pronouncements issued on or before November 30, 1989, and (b) that do not choose to apply all FASB statements and interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
e. losses recognized during the period due to default by counterparties to reverse repurchase agreements and amounts recovered from prior-period losses? ²⁴ [GASB 3 par. 80 (GASB Cod. sec. I55.113)]	_____	_____	_____
f. 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 financial statement date? [GASBI 3 par. 6 (GASB Cod. sec. I55.114)]	_____	_____	_____
<i>Securities Lending Transactions</i>			
13. For SLTs, are the following note disclosures included:			
a. The source of legal or contractual authorization for the use of SLTs? [GASB 28 par. 11 (GASB Cod. sec. I60.109)]	_____	_____	_____
b. Significant violations of those provisions that occurred during the period and actions taken to address such violations? [GASB 28 par. 11 (GASB Cod. sec. I60.109); NCGA 1 par. 12 (GASB Cod. sec. 1200.113)]	_____	_____	_____
c. A general description of their SLTs during the period, including			
i. the types of securities lent?	_____	_____	_____
ii. the types of collateral received?	_____	_____	_____
iii. whether the government has the ability to pledge or sell collateral securities without a borrower default?	_____	_____	_____
iv. the amount by which the value of the collateral provided is required to exceed the value of the underlying securities?	_____	_____	_____
v. any restrictions on the amount of the loans that can be made?	_____	_____	_____
vi. any loss indemnification provided to the entity by its securities lending agents?	_____	_____	_____
vii. the fair values and reported amounts (if different) of underlying securities at the financial statement date? [GASB 28 par. 12, as amended (GASB Cod. sec. I60.110)]	_____	_____	_____
d. Whether the maturities of the investments made with cash collateral generally match the maturities of the securities loans, as well as the extent of such matching at the financial statement date? [GASB 28 par. 13 (GASB Cod. sec. I60.111)]	_____	_____	_____

²⁴ Disclosure of default losses and recoveries by defined benefit pension plans does not constitute a disclosure of realized gains and losses that under GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, footnote 10 (GASB Cod. sec. Pe5 fn 9) would require disclosure of all realized gains and losses for the period (GASBI 3 par. 5 [GASB Cod. sec. I55 fn 5]).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
e. The amount of credit risk, if any, related to the SLTs at the financial statement date? (Credit risk is calculated as the aggregate of the lender's exposures to individual borrowers or on individual loans, depending on whether individual loans to the same borrower can be aggregated for purposes of offset in the event of default.)	_____	_____	_____
i. If the governmental lender has no credit risk, is that fact stated? (Disclosure of the net amounts owed to the borrowers is not required.) [GASB 28 par. 14 (GASB Cod. sec. I60.112)]	_____	_____	_____
f. The amount of losses on SLTs during the period resulting from the default of a borrower or lending agent and amounts recovered from prior-period losses? ²⁵ [GASB 28 par. 15 (GASB Cod. sec. I60.113)]	_____	_____	_____
g. Custodial credit risk for collateral and underlying securities for SLTs as provided by GASB Statement No. 40, paragraph 10? [GASB 40 par. 10 (GASB Cod. sec. I60.114)]	_____	_____	_____
D. Nonexchange Transactions ²⁶			
1. Do the notes disclose nonexchange transactions that are not recognizable because they are not measurable? [GASB 33 par. 11, as amended (GASB Cod. sec. N50.108)]	_____	_____	_____
Property Taxes			
2. If, because of unusual circumstances, the facts justify an availability period greater than 60 days for the recognition of property tax revenues in governmental funds, does the entity disclose the period being used and the facts that justify it? [NCGAI 3 par. 8 (GASB Cod. sec. P70.104)]	_____	_____	_____
3. If the entity desires to exclude some property tax revenue from appropriation to protect cash liquidity, does it report the excluded amount in governmental funds as restricted, committed, assigned, or unassigned, as appropriate, and an appropriate note to the financial statements? [NCGAI 3 par. 10, as amended; GASB No. 54 par. 18 and 23 (GASB Cod. sec. 1800.155 and 2300.107)]	_____	_____	_____
4. Do the notes disclose the nature and purpose of any restriction, commitment, or assignment of governmental fund balance relating to property taxes? [GASB 54 par. 23 (GASB Cod. sec. 2300.107)]	_____	_____	_____
5. Do the notes disclose details of the entity's property tax calendar, including lien dates, levy dates, due dates, and collection dates? [NCGAI 3 par. 11 (GASB Cod. sec. P70.108)]	_____	_____	_____

²⁵ See footnote 24.

²⁶ The practice tip in the subsection on nonexchange transactions in the section of this checklist titled "Assets, Liabilities, and Net Position" discusses the definitions, classifications, and examples of nonexchange transactions.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>On-Behalf Payments for Fringe Benefits and Salaries</i>			
6. Do the notes disclose the amount of revenue recognized for on-behalf payments for fringe benefits and salaries?	_____	_____	_____
7. If another organization makes contributions to a pension plan on behalf of the entity's employees for which the entity is not legally responsible, do the notes disclose the name of the plan that covers the entity's employees and the name of the other organization that makes the contributions? [GASB 24 par. 12 (GASB Cod. sec. N50.134)]	_____	_____	_____
<i>Donor-Restricted Endowments</i>			
8. Do the notes disclose the following information about donor-restricted endowments:			
a. The amounts of net appreciation on investments of donor-restricted endowments that are available for authorization for expenditure by the governing board, and how those amounts are reported in net assets (or net position)?	_____	_____	_____
b. The state law regarding the ability to spend net appreciation?	_____	_____	_____
c. The policy for authorizing and spending investment income, such as a spending-rate or total-return policy? [GASB 34 par. 121 (GASB Cod. sec. 2300.117) or GASB 34 par. 121, as amended by GASB 63 par. 6]	_____	_____	_____
E. Capital Assets			
1. Do the notes disclose the following information about capital assets (including intangible assets), divided into major classes of capital assets as well as between assets associated with governmental activities and those associated with business-type activities, and between assets that are not being depreciated and those that are being depreciated: [GASB 34 par. 116 (GASB Cod. sec. 2300.111)]			
a. Beginning- and end-of-year balances, with accumulated depreciation presented separately from historical cost?	_____	_____	_____
b. Capital acquisitions?	_____	_____	_____
c. Sales or other dispositions?	_____	_____	_____
d. Current-period depreciation expense, with the amounts charged to each of the functions in the statement of activities? [GASB 34 par. 117–118 (GASB Cod. sec. 2300.112–.113); GASB 51 par. 5 (GASB Cod. sec. 1400.122)]	_____	_____	_____
2. Do the notes disclose the method or methods used to compute depreciation for each major class of depreciable asset? [APB 12 par. 5 or GASB 62 par. 95]	_____	_____	_____
3. For collections that are not capitalized, do the notes describe the collection and the reasons the assets are not capitalized? [GASB 34 par. 118 (GASB Cod. sec. 2300.113)]	_____	_____	_____
4. While the entity is applying the general infrastructure asset transition provisions of GASB Statement No. 34 paragraphs 142–144 (GASB Cod. sec. 1400.141–.144), do the notes disclose			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<ul style="list-style-type: none"> a. a description of the infrastructure assets being reported and of those that are not? b. a description of any eligible infrastructure assets that the government has decided to report using the modified approach? [GASB 34 par. 151 (GASB Cod. sec. 1400.145)] 	_____	_____	_____
5. Is the carrying amount of impaired capital assets that are idle at year-end disclosed, regardless of whether the impairment is considered permanent or temporary? [GASB 42 par. 20 (GASB Cod. sec. 1400.176 and 2300.107gg)]	_____	_____	_____
F. Liabilities, Including Debt			
<i>Short-Term Debt</i>			
1. Do the notes disclose details about short-term debt activity during the year, even if no short-term debt is outstanding at year-end, including the following:			
<ul style="list-style-type: none"> a. A schedule of changes in short-term debt, disclosing beginning-and end-of-year balances, increases, and decreases? b. The purpose for which the short-term debt was issued? [NCGAI 6 par. 5, as amended (GASB Cod. sec. 2300.107e); GASB 38 par. 12 (GASB Cod. sec. 2300.118)] 	_____	_____	_____
<i>Long-Term Liabilities, Including Debt</i>			
2. Does the entity disclose the following information about long-term liabilities (both long-term debt, such as bonds, notes, loans, and leases payable, and other long-term liabilities, such as compensated absences and claims and judgments), divided between liabilities associated with governmental activities and those associated with business-type activities: ²⁷ [GASB 34 par. 116 (GASB Cod. sec. 2300.111)]			
<ul style="list-style-type: none"> a. Beginning- and end-of-year balances (regardless of whether prior-year data are presented on the face of the government-wide financial statements)? b. Increases and decreases (separately presented)? c. The portions of each item that are due within one year of the statement date? d. Which governmental funds typically have been used to liquidate other long-term liabilities (such as compensated absences and pension liabilities) in prior years? [GASB 34 par. 119 (GASB Cod. sec. 2300.114)] 	_____	_____	_____
3. Does the entity disclose the following details of debt service requirements to maturity:			
<ul style="list-style-type: none"> a. Principal and interest requirements to maturity, presented separately, for each of the five subsequent fiscal years and in five-year increments thereafter? (Interest requirements for variable-rate debt should be determined using the rate in effect at the financial statement date.) 	_____	_____	_____

²⁷ Information about net pension obligations should be reported in a separate pension note. (GASB 34 fn 47 [GASB Cod. sec. 2300 fn 5]). See the subsection on pensions—employer reporting in the section of this checklist titled “Specialized Topics.”

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>b. The terms by which interest rates change for variable-rate debt? [GASB 38 par. 10 (GASB Cod. sec. 1500.118 and 2300.106m)]</p>	_____	_____	_____
Interest Costs			
4. Does the entity disclose the following with respect to interest cost:			
<p>a. If no interest cost is capitalized, the amount of interest cost incurred and charged to expense during the period?</p>	_____	_____	_____
<p>b. If some interest cost is capitalized, the total amount of interest cost incurred and the amount capitalized? [SFAS 34 par. 21 or GASB 62 par. 22]</p>	_____	_____	_____
Bond, Tax, and Revenue Anticipation Notes			
5. If the entity excludes bond, tax, and revenue anticipation notes from fund or current liabilities because of the provisions of NCGA Interpretation No. 9, do the notes disclose a general description of the financing agreement and the terms of any new obligation incurred or expected to be incurred as a result of a refinancing? [NCGAI 9 fn 5 (GASB Cod. sec. B50 fn 1)]	_____	_____	_____
Conduit Debt			
6. Do disclosures about conduit debt obligations (whether or not reported in the financial statements) include			
<p>a. a general description of the conduit debt transactions?</p>	_____	_____	_____
<p>b. the aggregate amount of all conduit debt obligations outstanding at the financial statement date?</p>	_____	_____	_____
<p>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)]</p>	_____	_____	_____
Debt Refundings			
7. For debt defeased through an advance or current refunding, does the entity disclose a general description of the transaction in the year of the refunding that includes, at a minimum, the difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete the refunding and the economic gain or loss resulting from the transaction? (If old fixed-rate debt is defeased with new variable-rate debt, additional disclosures should be made as provided in GASB Statement No. 7, <i>Advance Refundings Resulting in Defeasance of Debt</i> , footnote 4 [GASB Cod. sec. D20 fn 7].) [GASB 7 par. 11 (GASB Cod. sec. D20.111); GASB 23 par. 6, as amended (GASB Cod. sec. D20.115)]	_____	_____	_____
8. For debt defeased through an advance refunding, does the entity disclose the amount of that debt, if any, outstanding at the financial statement date? [GASB 7 par. 14, as amended (GASB Cod. sec. D20.114)]	_____	_____	_____
Demand Bonds			
9. Do disclosures for demand bonds outstanding include			
<p>a. a general description of the demand bond program?</p>	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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 financial statement date?	_____	_____	_____
c. a description of the take out agreement including its expiration date, commitment fees to obtain that agreement, and the terms of any new obligation under the take out agreement?	_____	_____	_____
d. the debt service requirements that would result if the take out agreement were to be exercised? [GASBI 1 par. 11 (GASB Cod. sec. D30.111)]	_____	_____	_____
<i>Troubled Debt Restructuring</i>			
10. For periods after a troubled debt restructuring, do disclosures for the debtor include			
a. extent to which amounts contingently payable are included in the carrying amount of restructured payables?	_____	_____	_____
b. total amounts contingently payable, if applicable, and conditions under which those amounts would become payable or forgiven? [SFAS 15 par. 26]	_____	_____	_____
Entities that have not implemented GASB Statement No. 62 may omit questions 11–12.			
11. <i>Disclosure by debtors.</i> For all troubled debt restructurings that occurred during the period, did the entity disclose			
a. a description of the principal changes, in terms of the major features of settlement, or both, for each restructuring?	_____	_____	_____
b. aggregate gain on restructuring of payables?	_____	_____	_____
c. aggregate net gain or loss on transfers of assets recognized during the period? [GASB 62 par. 147–148]	_____	_____	_____
12. <i>Disclosure by creditors.</i> For all troubled debt restructurings that occurred during the period, did the entity disclose			
a. by major category (for outstanding receivables whose terms were modified in a troubled debt restructuring)			
i. aggregate recorded investment?	_____	_____	_____
ii. gross interest revenue that would have been recorded in the period then ended if those receivables had been current in accordance with their original terms and had been outstanding throughout the period or since origination, if held for part of the period?	_____	_____	_____
iii. amount of interest revenue on those receivables that was included in changes in net assets (or net position) for the period?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p><i>b.</i> the amount of commitments, if any, to lend additional resources to debtors owing receivables whose terms have been modified in troubled debt restructurings? [GASB 62 par. 162 or GASB 62 par. 162, as amended by GASB 63 par. 6]</p>	_____	_____	_____
G. Contingencies and Commitments			
<p>1. Do the notes disclose contingent liabilities not requiring accrual, including guarantees, such as situations in which the entity is contingently liable for proprietary fund or trust fund indebtedness (for example, through a general obligation backing on enterprise fund debt)?²⁸ [NCGA 1 par. 46, as amended; GASB 10 par. 58 (GASB Cod. sec. 1500.114 and C50.115) or SFAS 5 par. 12; FIN 34 par. 2–3; FIN 45 par. 17–18 or GASB 62 par. 107–110²⁹]</p>	_____	_____	_____
<p>2. For unconditional purchase obligations that have not been recognized on the entity's financial position statement(s), do the notes disclose</p> <p><i>a.</i> the nature and term of the obligation(s)?</p> <p><i>b.</i> the amount of the fixed and determinable portion of the obligation(s) as of the date of the latest financial position statement in the aggregate and, if determinable, for each of the five succeeding fiscal years?</p> <p><i>c.</i> the nature of any variable components of the obligation(s)?</p> <p><i>d.</i> the amounts purchased under the obligation(s) (for example, the take-or-pay or throughput contract) for each period for which an activity statement is presented? [SFAS 47 par. 7]</p>	_____	_____	_____
<p>3. Does the entity disclose unused letters of credit, assets pledged as security for loans, and construction and other significant commitments?³⁰ [NCGA 1 par. 158, as amended (GASB Cod. sec. 2300.106k); SFAS 5 par. 18–19; GASB 62 par. 113]</p>	_____	_____	_____
<p>4. Does the entity disclose conditions that raise a question about its ability to continue in existence for a reasonable period of time, and viable plans to overcome these difficulties? [GASB 56 par. 19 (GASB Cod. sec. 2250.117)]</p>	_____	_____	_____
<p>5. Does the entity adequately disclose gain contingencies, with care to avoid any misleading implications about the likelihood of realization? [SFAS 5 par. 17; GASB 62 par. 112]</p>	_____	_____	_____

²⁸ See also section "Risk Financing and Related Financing Issues—Entities Other Than Risk Pools" in the section of this checklist titled "Specialized Topics."

²⁹ Although FASB Interpretation No. 34, *Disclosure of Indirect Guarantees of Indebtedness of Others—an interpretation of FASB Statement No. 5*, was superseded by FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others—an interpretation of FASB Statements No. 5, 57, and 107 and rescission of FASB Interpretation No. 34*, it is not superseded for a governmental entity's funds and activities that are required to apply FASB pronouncements issued on or before November 30, 1989. Further, the provisions of FASB Interpretation No. 45 paragraphs 17–18 are substantially the same as those of FASB Interpretation No. 34 paragraphs 2–3. See the discussion of GASB Statement No. 62 at the beginning of this section.

³⁰ Commitments are existing arrangements to enter into future transactions or events (AAG-SLV 8.99).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
H. Joint Costs That Include Fund Raising			
1. If the entity allocates joint costs among fund raising and other functions, does it disclose			
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 (encouraged but not required)? [ACC 10,730.18-.19]	_____	_____	_____
I. Segment Disclosures			
1. Does the entity make segment disclosures for each identifiable activity (or grouping of activities) reported as or within an enterprise fund or an other stand-alone entity that use enterprise fund accounting and reporting standards; and that has one or more bonds or other debt instruments (such as certificates of participation) outstanding, with a revenue stream pledged in support of that debt and an externally imposed requirement to account for the activity's revenues, expenses, gains and losses, assets, and liabilities separately? ³¹	_____	_____	_____
2. Do disclosures for each segment			
a. identify the types of goods and services provided?	_____	_____	_____
b. present a condensed statement of net assets (or net position), including			
i. total assets, distinguishing between current assets, capital assets, and other assets (with amounts receivable from other funds or component units reported separately)?	_____	_____	_____
ii. total liabilities, distinguishing between current and long-term amounts (with amounts payable to other funds or component units reported separately)?	_____	_____	_____
iii. total net assets (or net position), distinguishing among restricted (separately reporting expendable and nonexpendable components); unrestricted; and amounts invested in capital assets, net of related debt (or net position, distinguishing net investment in capital assets and the restricted and unrestricted components of net position)?	_____	_____	_____
c. present a condensed statement of revenues, expenses, and changes in net assets (or net position), including			
i. operating revenues (by major source)?	_____	_____	_____

³¹ Segment disclosures are not required for an activity whose only outstanding debt is conduit debt for which the government has no obligation beyond the resources provided by related leases or loans. In addition, segment reporting is not required when an individual fund both is a segment and is reported as a major fund (GASB Cod. sec. 2500 fn 1 [GASB 34 fn 48]).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
ii. operating expenses, with depreciation, including any amortization, identified separately?	_____	_____	_____
iii. operating income (loss)?	_____	_____	_____
iv. nonoperating revenues (expenses), with separate reporting of major revenues and expenses?	_____	_____	_____
v. capital contributions and additions to permanent and term endowments?	_____	_____	_____
vi. special and extraordinary items?	_____	_____	_____
vii. transfers?	_____	_____	_____
viii. change in net assets (or net position)?	_____	_____	_____
ix. beginning net assets (or net position)?	_____	_____	_____
x. ending net assets (or net position)?	_____	_____	_____
d. present a condensed statement of cash flows, including			
i. net cash provided (used) by			
(1) operating activities?	_____	_____	_____
(2) noncapital financing activities?	_____	_____	_____
(3) capital and related financing activities?	_____	_____	_____
(4) investing activities?	_____	_____	_____
ii. beginning cash and cash equivalent balances?	_____	_____	_____
iii. ending cash and cash equivalent balances? [GASB 34 par. 122, as amended (GASB Cod. sec. 2500.101); GASB 34 par. 122, as amended by GASB 63 par. 6]	_____	_____	_____

J. Subsequent Events

- | | | | | |
|----|--|-------|-------|-------|
| 1. | Are subsequent events evaluated and classified between those that require adjustments to the financial statements (recognized events) and those that may require disclosure in the financial statements (nonrecognized events)? | _____ | _____ | _____ |
| 2. | Are recognized events those that provide additional evidence with respect to conditions that existed at the date of the statement of net assets (or net position) and affect the estimates inherent in the process of preparing financial statements? | _____ | _____ | _____ |
| a. | Are the financial statements adjusted for those recognized events including for changes in estimates?
[GASB 56 par. 9 and 11–12 (GASB Cod. sec. 2250.107 and 109–110 and 2300.10); GASB 56 par. 9 and 11, as amended by GASB 63 par. 6] | _____ | _____ | _____ |
| 3. | Are nonrecognized events those events that provide evidence to conditions that did not exist at the date of the statement of net assets (or net position), but arose subsequent to that date but prior to the date of the issuance of the financial statements?
[GASB 56 par. 10 and 13 (GASB Cod. sec. 2300.106, .108, and .111); GASB 56 par. 10, as amended by GASB 63 par. 6] | _____ | _____ | _____ |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p><i>a.</i> Are nonrecognized events that are presented in the notes to the basic financial statements essential to the user's understanding of those financial statements? [GASB 56 par. 10 (GASB Cod. sec. 2300.106-.108)]</p> <p><i>b.</i> Do these events include the issuance of bonds, the creation of a new component unit, the loss of a government facility due to tornado, fire, flood or other item? [GASB 56 par. 14 (GASB Cod. sec. 2300.106-.112)]</p> <p><i>c.</i> Are these events limited to those that should not require a prior period adjustment, including those financial statements that are reissued in comparative form with financial statements of subsequent periods? [GASB 56 par. 14 (GASB Cod. sec. 2300.106-.112)]</p> <p><i>d.</i> If necessary, is a discussion of these events included in the MD&A? [GASB 56 par. 15 (GASB Cod. sec. 2250.113)]</p>	<p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>	<p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>	<p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>
K. Related Parties, Including Component Units			
<p>1. For the separately issued financial statements of a component unit, do the financial statements</p> <p><i>a.</i> acknowledge that it is a component unit of another government?</p> <p><i>b.</i> identify in the notes to the financial statements the primary government in whose financial reporting entity it is included and describe its relationship with the primary government? [GASB 14 par. 65 (GASB Cod. sec. 2600.124)]</p>	<p>_____</p> <p>_____</p> <p>_____</p>	<p>_____</p> <p>_____</p> <p>_____</p>	<p>_____</p> <p>_____</p> <p>_____</p>
<p>2. If a voting majority of the governing board of a stand-alone government is appointed by a primary government, does the stand-alone government disclose that accountability relationship in its financial statements? [GASB 14 par. 66 (GASB Cod. sec. 2600.125)]</p>	_____	_____	_____
<p>3. Does the primary government disclose in the notes to the financial statements the nature of its accountability for related organizations? (Groups of related organizations with similar relationships with the primary government may be summarized for purposes of the disclosure.)</p>	_____	_____	_____
<p>4. Do the financial statements of a related governmental organization disclose the primary government that is accountable for it and describe its relationship with that primary government? [GASB 14 par. 68 (GASB Cod. sec. 2600.127)]</p>	_____	_____	_____
<p>5. Do the notes disclose, for each major component unit, the nature and amount of significant transactions with the primary government and other component units? [GASB 34 par. 128 (GASB Cod. sec. 2600.110)]</p>	_____	_____	_____
<p>6. Do the notes disclose the following information about related-party transactions considering the substance of the transaction rather than merely its legal form? [GASB 56 par. 4 (GASB Cod. Sec. 2250.102, 2300.107 and L20.124 and GASB 62 par. 55-56 if early implemented)]</p>	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>a.</i> The nature of the relationship(s)?	_____	_____	_____
<i>b.</i> A description of the transactions, including transactions to which no amount or nominal amounts were ascribed, and such other information deemed necessary to understand the effects of the transactions on the financial statements?	_____	_____	_____
<i>c.</i> The dollar amounts of transactions for each of the periods for which results of operations are presented and the effects of any change in the method of establishing the terms from that used in the preceding period?	_____	_____	_____
<i>d.</i> Amounts due from or to related parties as of the date of each financial position statement presented and, if not otherwise apparent, the terms and manner of settlement? [NCGAI 6 par. 5, as amended (GASB Cod. sec. 2300.107f)]	_____	_____	_____
<i>e.</i> The nature and extent of leasing transactions with related parties? [NCGA 5 par. 27 (GASB Cod. sec. L20.125); SFAS 13 par. 29; GASB 62 par. 239–240]	_____	_____	_____
<i>f.</i> Are the following examples of form over substance conditions existing, including borrowing or lending on an interest free basis or at a rate of interest significantly above or below market rates prevailing at the time of the transaction, selling real estate at a price that differs significantly from its appraised value, exchanging property for similar property in a nonmonetary transaction or making loans with no scheduled terms for when or how the loans will be repaid reported as related parties transactions? [GASB 56 par. 5 (GASB Cod. Sec. 2250.103, 2300.107f, L20.124)]	_____	_____	_____
L. Other Disclosures			
1. Do the notes disclose			
<i>a.</i> details about balances of receivables and payable when significant components of those accounts have been obscured by the aggregation of those accounts in the financial position statements?	_____	_____	_____
<i>b.</i> significant receivable balances not expected to be collected within one year of the financial statement date? [GASB 38 par. 13 (GASB Cod. sec. 2300.119)]	_____	_____	_____
<i>c.</i> the following details about interfund balances reported in the fund financial statements:			
<i>i.</i> Amounts due from other funds by individual major fund, nonmajor governmental funds in the aggregate, nonmajor enterprise funds in the aggregate, internal service funds in the aggregate, and fiduciary fund type?	_____	_____	_____
<i>ii.</i> The purpose for interfund balances?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
iii. Interfund balances that are not expected to be repaid within one year from the financial statement date? [NCGA1 par. 158, as amended by NCGAI 6 par. 4 (GASB Cod. sec. 2300.106o); GASB 38 par. 14 (GASB Cod. sec. 2300.120)]	_____	_____	_____
d. the following details about interfund transfers reported in the fund financial statements:			
i. Amounts transferred from other funds by individual major fund, nonmajor governmental funds in the aggregate, nonmajor enterprise funds in the aggregate, internal service funds in the aggregate, and fiduciary fund type?	_____	_____	_____
ii. A general description of the principal purposes of the government's interfund transfers?	_____	_____	_____
iii. The intended purpose and the amount of significant transfers that do not occur on a routine basis or that are inconsistent with the activities of the fund making the transfer? [NCGA1 par. 158, as amended by NCGAI 6 par. 4 (GASB Cod. sec. 2300.106o); GASB 38 par. 15 (GASB Cod. sec. 2300.121)]	_____	_____	_____
e. significant violations of finance-related legal or contractual provisions and actions taken to address such violations? [NCGA 1 par. 12, as amended by GASB 38 par. 9 (GASB Cod. sec. 1200.112)]	_____	_____	_____
f. detailed explanations if aggregated information in the summary reconciliation between the fund and government-wide financial statements obscures the nature of the individual elements of a particular reconciling item? [GASB 34 par. 77 (GASB Cod. sec. 2200.154 and P80.109)]	_____	_____	_____
g. any significant transactions or other events that are either unusual or infrequent but not within the control of management? In the governmental funds, such transactions or events alternatively may be separately identified within the appropriate revenue or expenditure category in the statement of revenues, expenditures, and changes in fund balances.) [GASB 34 par. 56 (GASB Cod. sec. 1800.130 and 2200.144); GASB 34 par. 89 (GASB Cod. sec. 1800.131)]	_____	_____	_____
h. a general description, the amount, and the financial statement classification of impairment losses on capital assets? [GASB 42 par. 17 (GASB Cod. sec. 1400.173 and 2300.107gg)]	_____	_____	_____
i. the amount and financial statement classification of insurance recoveries? [GASB 42 par. 21 (GASB Cod. sec. 1400.177 and 2300.107gg)]	_____	_____	_____
j. deficit fund balance or net assets (or net position) of individual nonmajor funds? [NCGAI 6 par. 4, as amended by GASB 34 (GASB Cod. sec. 2300.106n)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
k. the amount of the primary government's net assets (or net position) at the end of the reporting period that are restricted by enabling legislation? [GASB 46 par. 6 (GASB Cod. sec. 1800.134 and 2200.119)]	_____	_____	_____
l. the amount of any allowances for uncollectible receivables if not presented on the face of the financial statements? [APB 12 par. 3 or GASB 62 par. 33]	_____	_____	_____

VII. Specialized Topics

A. Organizational Relationships, Including Component Units and Joint Ventures Component Units³²

- | | | | | |
|----|--|-------|-------|-------|
| 1. | If the financial statements present only the data of the primary government, do they acknowledge that they do not include the data of the component units necessary for reporting in conformity with GAAP?
[GASB 14 par. 64 (GASB Cod. sec. 2600.123)] | _____ | _____ | _____ |
| 2. | Does the government's intent in owning a majority of the voting stock of a for-profit corporation determine whether the corporation is presented as a component unit or an investment of the primary government?
[GASB 14 par. 55 and 73 (GASB Cod. sec. 2600.115)] | _____ | _____ | _____ |
| 3. | Is certain information about each major component units, except for those that are fiduciary in nature, and the aggregate of nonmajor component units provided by presenting one of the following: | | | |
| a. | Presenting each major component unit in a separate column in the reporting entity's government-wide financial statements, with nonmajor component units aggregated in a single column? | _____ | _____ | _____ |
| b. | Including combining statements of major component units in the reporting entity's basic statements after the fund financial statements, with nonmajor component units aggregated in a single column? | _____ | _____ | _____ |
| c. | Presenting condensed financial statements in the notes to the reporting entity's financial statements?
[GASB 14 par. 51, as amended (GASB Cod. sec. 2600.108)] | _____ | _____ | _____ |

Entities that have implemented GASB Statement No. 63 may omit questions 4a–b.

- | | | | | |
|----|--|--|--|--|
| 4. | If the entity chooses to present component unit information in the notes (question 3c), are these details presented, at a minimum, for each major component units and the aggregate of nonmajor component units: | | | |
|----|--|--|--|--|

³² The requirements of GASB Statement No. 14 should be applied in the separately issued financial statements of governmental component units and stand-alone governments as if they were primary governments (GASB 14 par. 65–66 [GASB Cod. sec. 2600.124–.125]).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>a.</i> Condensed statement of net assets:			
i. Total assets—distinguishing between capital assets and other assets (with amounts receivable from the primary government or from other component units reported separately)?	_____	_____	_____
ii. Total liabilities—distinguishing between long-term debt outstanding and other liabilities (with amounts payable to the primary government or to other component units reported separately)?	_____	_____	_____
iii. Total net assets (or net position)—distinguishing between restricted, unrestricted, and amounts invested in capital assets, net of related debt?	_____	_____	_____
<i>b.</i> Condensed statement of activities:			
i. Expenses (by major functions and for depreciation expense, if separately reported)?	_____	_____	_____
ii. Program revenues (by type)?	_____	_____	_____
iii. Net program (expense) revenue?	_____	_____	_____
iv. Tax revenues?	_____	_____	_____
v. Other nontax general revenues?	_____	_____	_____
vi. Contributions to endowments and permanent fund principal?	_____	_____	_____
vii. Special and extraordinary items?	_____	_____	_____
viii. Change in net assets?	_____	_____	_____
ix. Beginning net assets?	_____	_____	_____
x. Ending net assets? [GASB 14 par. 51, as amended; GASB 34 par. 127 (GASB Cod. sec. 2600.108 and .109); GASB 14 par. 51; GASB 34 par. 127, as amended by GASB 63 par. 6]	_____	_____	_____
Entities that have not implemented GASB Statement No. 63 may omit questions 4c–d.			
<i>c.</i> Condensed statement of net position			
i. Total assets—distinguishing between capital assets and other assets (with amounts receivable from the primary government or from other component units reported separately)?	_____	_____	_____
ii. Total liabilities—distinguishing between long-term debt outstanding and other liabilities (with amounts payable to the primary government or to other component units reported separately)?	_____	_____	_____
iii. Total net position—distinguishing between net investment in capital assets and restricted and unrestricted components of net position?	_____	_____	_____
<i>d.</i> Condensed statement of activities			
i. Expenses (by major functions and for depreciation expense, if separately reported)?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
ii. Program revenues (by type)?	_____	_____	_____
iii. Net program (expense) revenue?	_____	_____	_____
iv. Tax revenues?	_____	_____	_____
v. Other nontax general revenues?	_____	_____	_____
vi. Contributions to endowments and permanent fund principal?	_____	_____	_____
vii. Special and extraordinary items?	_____	_____	_____
viii. Change in net position?	_____	_____	_____
ix. Beginning net position?	_____	_____	_____
x. Ending net position? [GASB 14 par. 51, as amended; GASB 34 par. 127 (GASB Cod. sec. 2600.108–.109) GASB 14 par. 51; GASB 34 par. 127, as amended by GASB 63 par. 6]	_____	_____	_____
5. If transactions between component units that have different fiscal years result in inconsistencies in amounts reported as due to or due from, and so forth, are the nature and amount of those transactions disclosed in the notes to the financial statements? [GASB 14 par. 60, as amended by GASB 34 par. 61 (GASB Cod. sec. 2600.119)]	_____	_____	_____
6. If the fiscal year of a component unit included in the reporting entity is not consistent from year to year, are changes in fiscal years disclosed? [GASB 14 par. 60, as amended (GASB Cod. sec. 2600.119)]	_____	_____	_____

Joint Ventures and Jointly Governed Organizations

Practice Tip

These questions apply to an entity's participation in a joint venture or jointly controlled organization as defined in GASB Statement No. 14, *The Financial Reporting Entity*, paragraph 69 (GASB Cod. sec. J50.102). If an organization has several participants, but one participating government appoints a voting majority of the organization's governing body (and joint control is precluded because that participant has the power to make decisions unilaterally), the organization is either a component unit or a related organization of that participating government and should be reported in that participating government's financial statements as such. However, the other (minority) participants should report their participation in the organization as indicated in the following questions 7–12.

[GASB 14 par. 78, as amended (GASB Cod. sec. J50.112); GASB 14 par. 78, as amended by GASB 61 and 63]

7. In proprietary funds that participate in joint ventures in which there is an equity interest			
a. is the "investment in joint venture" account, representing the proprietary fund's equity interest, reported in the proprietary fund's statement of net assets (or net position) as a single amount?	_____	_____	_____
b. is the fund's share of the joint venture's change in net assets (or net position) reported in its statement of revenues, expenses, and changes in fund net assets (or net position) as a single amount? [GASB 14 par. 73; GASB 34 par. 91 and 103 (GASB Cod. sec. J50.106); GASB 14 par. 73, as amended by GASB 61 and 63]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
8. In governmental funds that participate in joint ventures in which there is an equity interest			
<i>a.</i> are amounts reported in the balance sheet limited to amounts appropriately reported under the current financial resources measurement focus (and thus not include equity in capital assets)?	_____	_____	_____
<i>b.</i> are amounts reported in the statement of revenues, expenditures, and changes in fund balances limited to amounts received or receivable from or paid or payable to the joint venture and that satisfy the revenue or expenditure recognition criteria for governmental funds? [GASB 14 par. 74 (GASB Cod. sec. J50.107); GASB 14 par. 74, as amended by GASB 63 par. 6]	_____	_____	_____
9. In the government-wide financial statements, are equity interests in joint ventures reported in the same manner as in proprietary funds? (See question 7.) [GASB 34 par. 16, as amended (GASB Cod. sec. J50.108); GASB 34 par. 16, as amended by GASB 63 par. 6]	_____	_____	_____
10. For all joint ventures (regardless of whether there is an equity interest), does the entity disclose a general description, including			
<i>a.</i> a description of the participating government's ongoing financial interest (including its equity interest, if applicable) or ongoing financial responsibility?	_____	_____	_____
<i>b.</i> 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?	_____	_____	_____
<i>c.</i> information about the availability of separate financial statements of the joint venture?	_____	_____	_____
<i>d.</i> required information about related-party transactions? [GASB 14 par. 75 (GASB Cod. sec. J50.109)]	_____	_____	_____
11. For jointly governed organizations, has the entity disclosed required information about related-party transactions? [GASB 14 par. 77 (GASB Cod. sec. J50.111)]	_____	_____	_____
12. 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 and disclosures rather than by reporting a participant's equity interest (if any) in the joint authority or by making joint venture disclosures? [GASB 14 par. 76 (GASB Cod. sec. J50.110)]	_____	_____	_____
13. When a joint venture or jointly governed organization is included as a component unit in the majority participant's financial reporting entity, does the joint venture or jointly governed organization report any equity interests of the minority participants as "reserved for minority interests"? [GASB 14 par. 78, as amended (GASB Cod. sec. J50.112)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
Undivided Interests			
14. Does an entity 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 or expenses, or both, and revenues that are associated with the joint operation?	_____	_____	_____
15. If a separate organization is created in which there is both 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 using the guidance for both undivided interests and joint ventures? [GASB 14 par. 80 (GASB Cod. sec. J50.114)]	_____	_____	_____

B. Derivative Instruments³³**Practice Tips**

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. By entering into these arrangements, governments receive and make payments based on market prices without actually entering into the related financial or commodity transactions. Derivative instruments associated with changing financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools. Derivative instruments, however, also can expose governments to significant risks and liabilities. Common types of derivative instruments used by governments include interest rate and commodity swaps, interest rate locks, options (caps, floors, and collars), swaptions, forward contracts, and futures contracts.

Governments enter into derivative instruments as investments; as hedges of identified financial risks associated with assets or liabilities, or expected transactions (that is, hedgeable items); or to lower the costs of borrowings. Governments often enter into derivative instruments with the intention of effectively fixing cash flows or synthetically fixing prices. For example, a government with variable-rate debt may enter into a derivative instrument designed to synthetically fix the debt's interest rate, thereby hedging the risk that rising interest rates will negatively affect cash flows. Governments also enter into derivative instruments to offset the changes in fair value of hedgeable items.

A key provision in this statement is that derivative instruments covered in its scope, with the exception of synthetic guaranteed investment contracts (SGICs) that are fully benefit-responsive, are reported at fair value. For many derivative instruments, historical prices are zero because their terms are developed so that the instruments may be entered into without a payment being received or made. The changes in fair value of derivative instruments that are used for investment purposes or that are reported as investment derivative instruments because of ineffectiveness are reported within the investment revenue classification. Alter-

(continued)

³³ GASB Statement No. 53 defines a *derivative instrument* as a financial instrument or other contract with all three of the following characteristics:

- *Settlement factors.* It has (a) one or more reference rates and (b) one or more notional amounts or payment provisions or (c) both. Those terms determine the amount of the settlement or settlements and, in some cases, whether or not a settlement is required.
- *Leverage.* It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- *Net settlement.* Its terms require or permit net settlement, it can readily be settled net by a means outside the contract, or it provides for delivery of an asset that puts the recipient in a position not substantially different from net settlement.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>natively, the changes in fair value of derivative instruments that are classified as hedging derivative instruments are reported in the statement of net assets as deferrals (or net position and deferred outflows or resources or deferred inflows of resources for entities that have implemented GASB Statement No. 63).</p> <p>Derivative instruments associated with hedgeable items that are determined to be effective in reducing exposures to identified financial risks are considered hedging derivative instruments. Effectiveness is determined by considering whether the changes in cash flows or fair values of the potential hedging derivative instrument substantially offset the changes in cash flows or fair values of the hedgeable item. In these instances, hedge accounting should be applied. Under hedge accounting, the changes in fair values of the hedging derivative instrument are reported as either deferred inflows or deferred outflows in a government's statement of net assets (or net position for entities that have implemented GASB Statement No. 63).</p> <p>Much of this statement describes the methods of evaluating effectiveness. The consistent critical terms method considers the terms of the potential hedging derivative instrument and the hedgeable item. If relevant terms match or in certain instances are similar, a potential hedging derivative instrument is determined to be effective. The other methods are based on quantitative analyses. The synthetic instrument method considers whether a fixed rate or price has been established within a prescribed range. The dollar-offset method evaluates changes in expected cash flows or fair values over time between the potential hedging derivative instrument and the hedgeable item. The regression analysis method considers the relationship between changes in the cash flows or fair values of the potential hedging derivative instrument and the hedgeable item. In these methods, critical and quantitative values are evaluated to determine whether a potential hedging derivative instrument is effective. Quantitative methods other than those specified in the statement are permitted, provided that they address whether the changes in cash flows or fair values of the potential hedging derivative instrument substantially offset the changes in cash flows or fair values of the hedgeable item.</p>			
1. Are the following disclosures made for derivatives that are reported on the statement of net assets (or net position):			
a. Are the derivatives disclosures in the notes to the basic financial statements organized by governmental activities, business-type activities, and fiduciary funds? [GASB 53 par. 69 (GASB Cod. sec. D40.165)]	_____	_____	_____
b. Are the derivatives then further subdivided into the following categories—hedging derivative instruments (distinguishing between fair value hedges and cash flow hedges) and investment derivative instruments? [GASB 53 par. 69 (GASB Cod. sec. D40.165)]	_____	_____	_____
c. Within each category, are the derivative instruments finally aggregated by type (for example, receive-fixed swaps, pay-fixed swaps, swaptions, rate caps, basis swaps, or futures contracts). [GASB 53 par. 69 (GASB Cod. sec. D40.165)]	_____	_____	_____
d. Does the summary include, in either narrative, columnar or tabular form, or a combination, the following:			
i. The notional amount.	_____	_____	_____
ii. Changes in fair value during the reporting period and the classification in the financial statements where those changes in fair value are reported.	_____	_____	_____

		<u>Yes</u>	<u>No</u>	<u>N/A</u>
iii.	Fair values as of the end of the reporting period and the classification in the financial statements where those fair values are reported. (If derivative instrument fair values are based on other than quoted market prices, the methods and significant assumptions used to estimate those fair values should be disclosed.)	_____	_____	_____
iv.	Fair values of derivative instruments reclassified from a hedging derivative instrument to an investment derivative instrument. (There also should be disclosure of the deferral amount that was reported within investment revenue upon the reclassification.) [GASB 53 par. 69 (GASB Cod. sec. D40.165)]	_____	_____	_____
e.	For hedging derivatives, does disclosure contain the following:			
i.	The derivative's objectives for entering into those instruments, the context needed to understand those objectives, the strategies for achieving those objectives, and the types of derivative instruments entered into. [GASB 53 par. 71 (GASB Cod. sec. D40.167)]	_____	_____	_____
ii.	The terms of the derivative, including			
	(1) the notional amounts.	_____	_____	_____
	(2) reference rates, such as indexes or interest rates.	_____	_____	_____
	(3) embedded options, such as caps, floors, or collars.	_____	_____	_____
	(4) the date when the hedging derivative instrument was entered into and when it is scheduled to terminate or mature.	_____	_____	_____
	(5) the amount of cash paid or received, if any, when a forward contract or swap (including swaptions) was entered into. [GASB 53 par. 72 (GASB Cod. sec. D40.168)]	_____	_____	_____
iii.	Details about the entity's exposure, where applicable, to credit risk, interest rate risk, basis risk, termination risk, rollover risk, and market-access risk as of the financial reporting date, as defined in GASB Statement No. 53 paragraph 73. [GASB 53 par. 73 (GASB Cod. sec. D40.169, I50.128, and I50.130–.131)]	_____	_____	_____
iv.	Details of the net cash flows in accordance with GASB Statement No. 38, paragraphs 10–11, including principal and interest requirements to maturity, presented separately, for each of the 5 subsequent fiscal years and in 5-year increments thereafter. Interest requirements for variable-rate debt should be determined using the rate in effect at the financial statement date and the terms by which interest rates change for variable-rate debt. [GASB 53 par. 74 (GASB Cod. sec. D40.170)]	_____	_____	_____

		<u>Yes</u>	<u>No</u>	<u>N/A</u>
v.	If an <i>other quantitative method of evaluating effectiveness</i> is used by the entity, disclosure should include the identity and characteristics of the method used the range of critical terms the method tolerates and the actual critical terms of the hedge? [GASB 53 par. 75 (GASB Cod. sec. D40.171)]	_____	_____	_____
f.	For investment derivatives, does the disclosure include risk disclosures as of the end of the reporting period presented in the context of an investment derivative instrument's risk, including credit risk, interest rate risk, and foreign currency risk, if applicable, in a similar manner to GASB Statement No. 53 paragraph 73 and GASB Statement No. 40 paragraphs 16–17? (The fair value, notional amount, reference rate, and embedded options should be disclosed.) [GASB 53 par. 76 (GASB Cod. sec. D40.172, I50.128, and I50.101 and 133–134)]	_____	_____	_____
g.	If there are contingent features, does the entity disclose them at the end of the reporting period, if there is an obligation to post collateral if the credit quality of the government's hedgeable item declines? (This disclosure should include, the existence and nature of contingent features and the circumstances in which the features could be triggered, the aggregate fair value of derivative instruments that contain those features, the aggregate fair value of assets that would be required to be posted as collateral or transferred in accordance with the provisions related to the triggering of the contingent liabilities and the amount, if any, that has been posted as collateral by the government as of the end of the reporting period.) [GASB 53 par. 77 (GASB Cod. sec. D40.173)]	_____	_____	_____
h.	For hybrid derivative instruments, does the entity disclose them for the companion instrument consistent with disclosures required? [GASB 53 par. 78 (GASB Cod. sec. D40.174)]	_____	_____	_____
i.	For fully benefit responsive SGICs as described in paragraph 67 of GASB Statement No. 53, does the disclosure include a description of the nature of the SGIC and the SGIC's fair value (including separate disclosure of the fair value of the wrap contract and the fair value of the corresponding underlying investments)? [GASB 53 par. 79 (GASB Cod. sec. D40.175 and I50.101)]	_____	_____	_____

C. Escheat Property

1. Is escheat property generally reported as an asset in the governmental or proprietary fund to which the property ultimately escheats? (Escheat property held for individuals, private organizations, or another government should be reported in a private-purpose trust fund or an agency fund, as appropriate, or in the governmental or proprietary fund in which escheat property is otherwise reported.)
[GASB 34 par. 72 and GASB 37 par. 3 (GASB Cod. sec. E70.102)]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
2. When escheat property is reported in governmental or proprietary funds, is escheat revenue reduced and a governmental or proprietary fund liability reported to the extent that it is probable that escheat property will be reclaimed and paid to claimants? [GASB 37 par. 3 (GASB Cod. sec. E70.103)]	_____	_____	_____
D. Governmental External Investment Pools			
<i>Separate or Stand-Alone Financial Reports</i>			
1. Does the pool report include an MD&A, a statement of net assets (or net position), a statement of changes in net assets (or net position), notes to the financial statements, and RSI other than MD&A, as applicable? (A statement of cash flows is not required.) [GASB 31 par. 17 and GASB 34 par. 139 (GASB Cod. sec. In5.103) or GASB 31 par. 17, as amended by GASB 63 par. 6]	_____	_____	_____
2. Does the report apply all applicable GASB pronouncements? ³⁴	_____	_____	_____
3. Do the report's notes to the financial statements disclose			
a. a brief description of any regulatory oversight (including whether the pool is registered with the SEC as an investment company)?	_____	_____	_____
b. the frequency of determining the fair value of investments?	_____	_____	_____
c. the method used to determine participants' shares sold and redeemed and whether that method differs from the method used to report investments?	_____	_____	_____
d. whether the pool sponsor has provided or obtained any legally binding guarantees during the period to support the value of shares?	_____	_____	_____
e. the extent of involuntary participation in the pool, if any?	_____	_____	_____
f. 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?	_____	_____	_____
g. the accounting policy for defining each component of investment income if the report distinguishes among different components (for example, interest, dividend, and other income versus the net increase or decrease in the fair value of investments)? [GASB 31 par. 17 (GASB Cod. sec. In5.103)]	_____	_____	_____
<i>Sponsoring Government's Financial Report</i>			
4. Is the external portion of each sponsored pool reported as a separate investment trust fund? [GASB 31 par. 18; GASB 34 par. 71 (GASB Cod. sec. I50.117); GASB 31 par. 18, as amended by GASB 63 par. 6]	_____	_____	_____

³⁴ See, in particular, the subsections on cash, investments, and investment-related activity in the sections of this checklist titled "Assets, Liabilities, and Net Position" and "Note Disclosures" and the subsection on derivatives earlier in this section of this checklist.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
5. Is the equity position of each of the sponsor's funds or component units (the internal portion) reported as assets in those funds and component units? [GASB 31 par. 14, as amended, and 18 (GASB Cod. sec. I50.113 and .117)]	_____	_____	_____
6. Is the difference between the external pool assets and liabilities captioned "net assets (or net position) held in trust for pool participants"? [GASB 31 par. 18 (GASB Cod. sec. I50.117); GASB 31 par. 18, as amended by GASB 63 par. 6]	_____	_____	_____
7. Do the notes disclose how to obtain the pool's separate report, if one is issued?	_____	_____	_____
8. If the pool does not issue a separate report, does the sponsoring government's report disclose			
a. the disclosures required for a separate or stand-alone pool report indicated in question 3?	_____	_____	_____
b. the disclosures required by GASB Cod. sec. C20, I50, I55, and I60, and other cash and investment standards? (See the subsection on cash, investments, and investment-related activity in section VI, "Note Disclosures," and the subsection on derivatives in this section of this checklist.) [GASB 31 par. 19, as amended (GASB Cod. sec. I50.118)]	_____	_____	_____
c. condensed statements of fiduciary net assets (or net position) and changes in fiduciary net assets (or net position)? (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, as amended (GASB Cod. sec. I50.118); GASB 31 par. 19, as amended by GASB 63 par. 6]	_____	_____	_____
E. Landfill Closure and Postclosure Care Costs			
1. Are assets, liabilities, revenues, and expenses related to municipal solid waste landfills (MSWLFs) reported in the government-wide financial statements? [GASB 34 par. 16 (GASB Cod. sec. L10.110); GASB 34 par. 16, as amended by GASB 63 par. 6]	_____	_____	_____
2. Are assets, liabilities, revenues, and expenses related to MSWLFs reported in the proprietary fund financial statements? [GASB 18 par. 7, as amended (GASB Cod. sec. L10.106); GASB 18 par. 8–9 (GASB Cod. sec. L10.107–.108)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
3. For MSWLF activities reported in governmental funds, are long-term liabilities for closure and postclosure care costs not reported as expenditures and liabilities in the governmental funds but only as expenses and liabilities in the governmental activities column in the government-wide statement of net assets (or net position)? (Liabilities for landfill closure and postclosure care costs are normally liquidated with expendable available financial resources, and a governmental fund liability and expenditure should be recognized, as payments come due each period upon receipt of goods and services used in the closing and postclosure care processes.) [GASB 18 par. 10, as amended (GASB Cod. sec. L10.109)]	_____	_____	_____
4. In the proprietary fund and government-wide financial statements, are equipment and facilities included in the estimated total current cost of closure and postclosure care not reported as capital assets? (Those costs and the final cover should be reported as a reduction of the accrued liability for MSWLF closure and postclosure care.) [GASB 18 par. 8 (GASB Cod. sec. L10.107); GASB 34 par. 16 (GASB Cod. sec. L10.110)]	_____	_____	_____
5. In the governmental fund financial statements, are acquisitions of equipment and facilities included in the estimated total current cost of closure and postclosure care reported as closure and postclosure care expenditures? [GASB 18 par. 11, as amended (GASB Cod. sec. L10.109)]	_____	_____	_____
6. Are amounts placed with a third-party trustee or in a surety standby trust for MSWLF closure, postclosure care, and remediation reported in the fund used to report landfill operations and identified by a description such as "amounts held by trustee"?	_____	_____	_____
7. Are investment earnings on amounts set aside to finance closure and postclosure care reported as revenue, not as reductions of the estimated total current cost of MSWLF closure and postclosure care and related accrued liability? [GASB 18 par. 15 (GASB Cod. sec. L10.113)]	_____	_____	_____
8. If the government has transferred its responsibility for MSWLF closure and postclosure care to another entity but remains contingently liable for that care under applicable federal, state, or local laws or regulations, and it appears that the assuming entity will not be able to meet its obligations and it is probable that the government will be required to pay closure and postclosure care costs, does the government report the obligation as provided in the preceding questions? [GASB 18 par. 16, as amended (GASB Cod. sec. L10.114)]	_____	_____	_____
9. Do the notes to the financial statements disclose			
a. the nature and source of landfill closure and postclosure care requirements (federal, state, or local laws or regulations)?	_____	_____	_____
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 financial statement date and the estimated total current cost of closure and postclosure care remaining to be recognized?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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?	_____	_____	_____
f. the nature of the estimates and the potential for changes due to inflation or deflation, technology, or applicable laws or regulations? [GASB 18 par. 17 (GASB Cod. sec. L10.115)]	_____	_____	_____

F. Leases**Entities that have implemented GASB Statement No. 62 may omit question 1.**

- Does the entity apply the criteria of FASB Statement No. 13, *Accounting for Leases*, as amended and interpreted, to its lease agreements (except for operating leases with scheduled rent increases and leases between governments and public authorities that are part of the primary government for financial reporting purposes [see question 3]), subject to the accounting and financial reporting distinctions of governmental funds?
[NCGA 5 par. 11, as amended (GASB Cod. sec. L20.103); NCGA 5 par. 24 (GASB Cod. sec. L20.121); GASB 14 par. 58, as amended (GASB Cod. sec. 2600.117 and L20.121)]

_____	_____	_____
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Entities that have not implemented GASB Statement No. 62 may omit question 2.

- Does the entity apply the criteria of paragraphs 211–271 of GASB Statement No. 62 to its lease agreements (except for operating leases with scheduled rent increases and leases between governments and public authorities that are part of the primary government for financial reporting purposes [see question 3]), subject to the accounting and financial reporting distinctions of governmental funds?
[GASB 14 par. 58, as amended (GASB Cod. sec. 2600.117 and L20.121); GASB 62 par. 211–271 or GASB 14 par. 58, as amended by GASB 63 par. 6]

_____	_____	_____
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For entities that have implemented GASB Statement No. 66,³⁵ references in question 2 to GASB 62 par. 222 and 227b regarding operating lease payments that vary from a straight-line basis no longer apply.

³⁵ GASB Statement No. 66, *Technical Corrections—2012*, issued in March 2012, is effective for periods beginning after December 15, 2012. Earlier application is encouraged. This statement amends GASB Statement No. 10, *Accounting and Financial Reporting for Risk—Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This statement also amends GASB Statement No. 62 by modifying specific guidance on (1) operating lease payments that vary from a straight-line basis, (2) purchases of a loan or group of loans, and (3) servicing fees. In the first period this statement is applied, changes should be treated as an adjustment of prior periods, and financial statements presented for the periods affected should be restated.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
3. If a public authority is part of a primary government for financial reporting purposes (because it has no separate legal standing or because it is a blended component unit), and there is a lease agreement between the primary government and the authority, is the authority's debt and assets reported as a form of the primary government's debt and assets? (For example, the leased assets should be reported as general capital assets in the government-wide statement of net assets [or net position], related debt should be reported as a general long-term liability in the government-wide statement of net assets [or net position], and the debt service activity of the public authority should be reported as a debt service activity of the primary government.) [NCGA 5 par. 23, as amended (GASB Cod. sec. L20.120); NCGA 5 par. 24 and GASB 34 par. 80 and 82 (GASB Cod. sec. L20.121); GASB 14 par. 58 (GASB Cod. sec. 2600.117 and L20.121); GASB 34 par. 80 and 82 and GASB 14 par. 58, as amended by GASB 63 par. 6]	_____	_____	_____
4. Are lease receivables and payables associated with capital lease arrangements between the primary government and public authorities reported as discretely presented component units (or between those component units) not combined with other amounts due to or from, or both, component units or with capital lease receivables and payables with organizations outside the reporting entity? [GASB 14 par. 58 (GASB Cod. sec. 2600.117 and L20.122) or GASB 14 par. 58, as amended by GASB 63 par. 6]	_____	_____	_____

Lessors**Entities that have implemented GASB Statement No. 65 may omit questions 5–6.**

5. If a capital lease is accounted for in a governmental fund, is an other financing source reported for the portion of the lease receivable that is measurable and available and is the noncurrent receivable reported in the fund, offset by deferred revenue? [NCGA 5 par. 10 and 15, as amended (GASB Cod. sec. L20.114)]	_____	_____	_____
6. If an operating lease with scheduled rent increases is accounted for in a governmental fund, is the accrued receivable in the fund offset by deferred revenue for the portion not yet recognized as revenue? [GASB 13 par. 9, as amended (GASB Cod. sec. L20.108)]	_____	_____	_____

Entities that have not implemented GASB Statement No. 65 may omit questions 7–8.

7. If a capital lease is accounted for in a governmental fund, is an other financing source reported for the portion of the lease receivable that is measurable and available and is the noncurrent receivable reported in the fund, offset by a liability? [NCGA 5 par. 10 and 15, as amended (GASB Cod. sec. L20.114 and GASB 65 par. 31)]	_____	_____	_____
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	<u>Yes</u>	<u>No</u>	<u>N/A</u>
8. If an operating lease with scheduled rent increases is accounted for in a governmental fund, is the accrued receivable in the fund offset by a liability for the portion not yet recognized as revenue? [GASB 13 par. 9, as amended (GASB Cod. sec. L20.108 and GASB 65 par. 31)]	_____	_____	_____
9. Does the entity make the disclosures required by FASB Statement No. 13, as amended and interpreted, including the following or GASB Statement No. 62 paragraph 231? ³⁶ [NCGA 5 par. 27 (GASB Cod. sec. L20.125)]	_____	_____	_____
a. For all leases, a general description of the lessor's leasing arrangements? [SFAS 13 par. 23 or GASB 62 par. 231(c)]	_____	_____	_____
b. For sales-type and direct financing leases			
i. specific components of the net investment in the leases as of the date of each financial position statement presented?	_____	_____	_____
ii. future minimum lease payments to be received for each of the five succeeding fiscal years as of the date of the latest financial position statement presented?	_____	_____	_____
iii. total contingent rentals included in operations for each period for which an activity statement is presented? [SFAS 13 par. 23, as amended by SFAS 91 par. 25 or GASB 62 par. 231(a)]	_____	_____	_____
c. For operating leases			
i. the cost and carrying amount, if different, of property on lease or held for leasing by major classes of property according to nature or function, and the amount of accumulated depreciation in total as of the date of the latest financial position statement presented?	_____	_____	_____
ii. minimum future rentals on noncancelable leases as of the date of the latest financial position statement presented, in the aggregate and for each of the five succeeding fiscal years?	_____	_____	_____
iii. total contingent rentals included in operations for each period for which an activity statement is presented? [SFAS 13 par. 23 or GASB 62 par. 231(b)]	_____	_____	_____
Entities that have implemented GASB Statement No. 62 may omit question 9d.			
d. For leveraged leases, the disclosures provided for in FASB Statement No. 13 paragraph 47? [SFAS 13 par. 47]	_____	_____	_____

³⁶ Disclosures required by FASB Statement No. 13, *Accounting for Leases*, 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 (SFAS 13 par. 23).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
Entities that have not implemented GASB Statement No. 62 may omit question 9e.			
<i>e.</i> When leveraged leasing is a significant part of the lessor's operations, have the components of the net investment balance in leveraged leases as set forth in GASB Statement No. 62 paragraph 270 been disclosed in the notes?	_____	_____	_____
<i>Lessees</i>³⁷			
10. Are capital leases that represent the acquisition or construction of a general capital asset reported as expenditures and other financing sources in a governmental fund? (General capital assets and general long-term liabilities arising from governmental fund capital leases should be reported only in the governmental activities column in the government-wide statement of net assets [or net position].) [NCGA 5 par. 14, as amended by GASB 34 par. 80 and 82 (GASB Cod. sec. 1800.112 and L20.113)]	_____	_____	_____
<i>a.</i> Are subsequent governmental fund lease payments accounted for consistently with GASB Cod. Section 1600.120–.121 standards for general obligation debt? [NCGA 5 par. 14 (GASB Cod. sec. L20.113)]	_____	_____	_____
11. Are capital lease obligations separately identified in the applicable financial position statements and subject to the same considerations as other obligations in classifying them with current and noncurrent liabilities in classified financial position statements? [SFAS 13 par. 13]	_____	_____	_____
12. Are accrued liabilities for operating leases with scheduled rent increases reported in the government-wide and proprietary and fiduciary fund financial statements, but only reported in the governmental fund financial statements to the extent the liabilities are “normally expected to be liquidated with expendable available financial resources”? [GASB 13 par. 7 and 9, as amended (GASB Cod. sec. L20.107 and .108)]	_____	_____	_____
13. Does the entity disclose the future minimum payments for each of the five subsequent fiscal years and in five-year increments thereafter for its obligations under capital and noncancelable operating leases? [NCGA 5 par. 27; GASB 38 par. 11 (GASB Cod. sec. L20.125)]	_____	_____	_____
14. Does the entity make the disclosures required by FASB Statement No. 13, as amended and interpreted; or (GASB Statement No. 62 paragraph 223), including the following: [NCGA 5 par. 27 (GASB Cod. sec. L20.125)]			
<i>a.</i> For all leases, a general description of the lessee's leasing arrangements including, but not limited to			
<i>i.</i> the basis on which contingent rental payments are determined?	_____	_____	_____

³⁷ Governments also are required to disclose information about changes in long-term liabilities, including leases payable, as indicated in a question in the subsection on liabilities, including debt, in the section of this checklist titled “Note Disclosures.”

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
ii. the existence and terms of renewal or purchase options and escalation clauses?	_____	_____	_____
iii. restrictions imposed by lease agreements, such as those concerning dividends, additional debt, and further leasing? [SFAS 13 par. 16 or GASB 62 par. 223(d)]	_____	_____	_____
b. For capital leases			
i. the gross amount of assets recorded as of each financial position statement date presented by major classes according to nature or function? (This information may be combined with the comparable information for owned assets.)	_____	_____	_____
ii. the total of minimum sublease rentals to be received in the future under noncancelable subleases as of the latest financial position statement date?	_____	_____	_____
iii. total contingent rentals actually incurred for each period for which an activity statement is presented?	_____	_____	_____
iv. assets recorded under capital leases and the accumulated amortization thereon, unless separately identified in the applicable financial position statements?	_____	_____	_____
v. the amortization charge on assets recorded under capital leases, unless the charge is included with depreciation expense (with the fact that it is so disclosed) or unless it is separately identified in the financial statements? [SFAS 13 par. 13 and 16 or GASB 62 par. 223(a)]	_____	_____	_____
c. For operating leases, rental expense for each period for which an activity statement is presented, with separate amounts for minimum rentals, contingent rentals, and sublease rentals? [SFAS 13 par. 16 or GASB 62 par. 223(c)]	_____	_____	_____
G. Noninterest-Bearing Receivables and Payables			
1. 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 asset or liability? (The face amount of the note should be disclosed in the financial statements or in the notes to the financial statements.)	_____	_____	_____
b. is the amortization of the discount or premium reported as interest expense in the activity statements?	_____	_____	_____
c. Is the effective interest rate disclosed? [APB 21 par. 16; GASB 62 par. 187]	_____	_____	_____

Yes No N/A

H. Employee Benefit Pension Plans³⁸

Practice Tips

GASB Statement Nos. 14 and 34 establish general standards for reporting fiduciary funds and component units, including pension and other employee benefit plans.

GASB Statement No. 25 establishes specific standards for defined benefit and defined contribution pension plans. A defined benefit pension is one that specifies the amount of pension benefits to be provided at a future date or after a certain period of time. A defined contribution pension plan is one that specifies how contributions to a plan member's account are to be determined, rather than the amount of retirement income the member is to receive.

[GASB 25 par. 44, as amended; GASB 43 par. 46 (GASB Cod. sec. Pe5.526)]

A defined benefit pension plan provides retirement income and also may provide other types of postemployment benefits, including disability benefits, death benefits, life insurance, healthcare benefits, and other ancillary benefits. As used GASB standards, the term *pension benefits* includes retirement income and all other types of benefits provided through a defined benefit pension plan, except postemployment healthcare benefits and termination benefits. For financial reporting purposes, postemployment healthcare benefits (including medical, dental, vision, and other health-related benefits) provided through a defined benefit pension plan, and the assets accumulated by the plan for the payment of postemployment healthcare benefits, are considered, in substance, a postemployment healthcare plan administered by but not part of the pension plan. GASB Statement No. 43 (GASB Cod. sec. Po50) addresses financial reporting for postemployment healthcare plans.

[GASB 25 par. 12, as amended (GASB Cod. sec. Pe5.104)]

The standards for defined benefit pension plans apply whether a plan is a single-employer, agent multiple-employer, or cost-sharing multiple-employer plan and regardless of how or when benefits provided by the plan are financed. (GASB Statement No. 25 defines those types of plans.) The requirements apply whether (a) the plan's financial statements are included in a separate financial report issued by the plan or by the public employee retirement system (PERS) that administers the plan (stand-alone plan financial report) or (b) the plan is included as a pension trust fund or fiduciary component unit in the financial reporting entity of the sponsor or employer.

[GASB 25 par. 13, as amended by GASB 34 par. 106 (GASB Cod. sec. Pe5.105)]

This subsection of this checklist contains separate subsections that apply to (1) stand-alone plan financial statements and (2) pension plans—sponsor and employer reporting that provides guidance on adapting the questions in this subsection to plans that are included as pension trust funds or fiduciary component units in the financial reporting entity of the sponsor or employer.

This subsection of this checklist should be used in conjunction with other applicable questions in this checklist to evaluate the financial statements and notes of the plan financial statements. For example, plans will have cash and investments, and the questions in this checklist relating to cash and investments should be answered. As another example, if a plan has capital assets, the questions relating to capital assets should be answered.

³⁸ See footnote 8.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
Stand-Alone Financial Statements of Pension Plans			
<i>Overview of the Financial Statements</i>			
1. Do the basic financial statements consist of a statement of fiduciary net assets (or net position) and a statement of changes in fiduciary net assets (or net position)? (Those financial statements may be referred to by different terms, such as <i>a statement of plan net assets (or net position)</i> and <i>a statement of changes in plan net assets (or net position)</i> .)	_____	_____	_____
[GASB 43 par. 18 (GASB Cod. sec. Po50.114); GASB 25 par. 19 (GASB Cod. sec. Pe5.111); GASB 34 par. 106, as amended, and fn 43, both as amended (GASB Cod. sec. 1300.102c and fn 1 and 2200.175 and fn 34); GASB 34 par. 139 (GASB Cod. sec. Sp20.108)]			
2. If the entity administers more than one defined benefit pension plan, does it present combining financial statements for all plans administered? (An entity should meet this requirement by (a) presenting a separate column in its basic financial statements for each plan administered or (b) presenting combining statements for those plans as part of the basic financial statements. If the entity administers one or more agent multiple-employer plans, the display requirements apply at the aggregate plan level for each plan administered; the entity is not required to include financial statements and schedules for the individual plans of the participating employers.)	_____	_____	_____
[GASB 25 par. 15 (GASB Cod. sec. Pe5.107); GASB 34 par. 140 and fn 63, as amended (GASB Cod. sec. Pe5.111, Sp20.109, and fn 7)]			
3. If the entity administers and reports other employee benefit plans (such as defined contribution pension plans, OPEB plans, or Internal Revenue Code Section 457 deferred compensation plans that meet the criteria for reporting), are they displayed in the statement of fiduciary net assets (or net position) and statement of changes in fiduciary net assets (or net position) as employee benefit trust funds? (Combining financial statements for those plans are encouraged, but not required.)	_____	_____	_____
[GASB 34 par. 108–109 and 141, as amended (GASB Cod. sec. 2200.176–177 and Sp20.110) or GASB 34 par. 108–109, as amended by GASB 63 par. 6]			
<i>Statement of Fiduciary Net Assets (or Net Position)</i>			
4. Are plan assets subdivided into			
a. the major categories of assets held, for example, cash and cash equivalents, receivables, investments, and assets used in plan operations?	_____	_____	_____
b. the principal components of the receivables and investment categories?	_____	_____	_____
[GASB 25 par. 21 (GASB Cod. sec. Pe5.113); GASB 34 par. 108, as amended by GASB 43 par. 11 (GASB Cod. sec. 2200.176)]			
5. Do plan assets exclude allocated insurance contracts?	_____	_____	_____
[GASB 25 par. 24 (GASB Cod. sec. Pe5.116); GASB 34 par. 108 (GASB Cod. sec. 2200.176)]			
a. Do plan assets include derivative instruments at fair value?	_____	_____	_____
[GASB 25 par. 24, as amended (GASB Cod. sec. Pe5.118)]			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
6. Do plan liabilities exclude benefits payable from contracts that are excluded from plan assets and for which payments to the insurance company have been made? [GASB 25 par. 26 (GASB Cod. sec. Pe5.118); GASB 34 par. 108, as amended (GASB Cod. sec. 2200.176)]	_____	_____	_____
7. Is the difference between total plan assets and total plan liabilities at the reporting date appropriately captioned, for example as <i>net assets held in trust for pension benefits</i> ? [GASB 25 par. 27 (GASB Cod. sec. Pe5.119); GASB 34 par. 108, as amended (GASB Cod. sec. 2200.176) or GASB 25 par. 27 and GASB 34 par. 108, as amended by GASB 63 par. 6]	_____	_____	_____
8. If a schedule of funding progress for a defined benefit pension plan is presented as RSI, does a parenthetical reference follow the net asset (or net position) amount to refer to that schedule? [GASB 25 par. 27 (GASB Cod. sec. Pe5.119) or GASB 25 par. 27, as amended by GASB 63 par. 6]	_____	_____	_____
<i>Statement of Changes in Fiduciary Net Assets (or Net Position)</i>			
9. Is the information in the statement presented in two principal sections: additions and deductions?	_____	_____	_____
10. Is the difference between total additions and deductions reported as the net increase (or decrease) for the year in plan net assets (or net position)? [GASB 25 par. 28 (GASB Cod. sec. Pe5.120); GASB 34 par. 109, as amended (GASB Cod. sec. 2200.177)]	_____	_____	_____
11. Does the additions section of the statement include the information in these four categories as applicable, separately displayed:			
<i>a.</i> Contributions from the employers?	_____	_____	_____
<i>b.</i> Contributions from plan members, including those transmitted by the employers?	_____	_____	_____
<i>c.</i> Contributions from sources other than the employers and plan members (for example, state government contributions to a local government plan)? [GASB 25 par. 29 (GASB Cod. sec. Pe5.121); GASB 34 par. 109, as amended (GASB Cod. sec. 2200.177)]	_____	_____	_____
<i>d.</i> Net investment income, including			
<i>i.</i> the following two components either separately displayed or combined and reported as one amount? [GASB 25 fn 11 (GASB Cod. sec. Pe5 fn 10); GASB 34 par. 109, as amended (GASB Cod. sec. 2200.177)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(1) The net appreciation (depreciation) in the fair value of plan investments? (The net appreciation (depreciation) in the fair value of investments should include realized gains and losses on investments that were both bought and sold during the year. Realized and unrealized gains and losses should not be separately displayed in the financial statements.) [GASB 25 par. 29 and fn 10 (GASB Cod. sec. Pe5.121 and fn 9); GASB 34 par. 109, as amended (GASB Cod. sec. 2200.177)]	_____	_____	_____
(2) Interest income, dividend income, and other income? (Consistent with reporting investments at their fair value, interest income should be reported at the stated interest rate; any premiums or discounts on debt securities should not be amortized.) [GASB 25 par. 29 and fn 12 (GASB Cod. sec. Pe5.121 and fn 11); GASB 34 par. 109, as amended (GASB Cod. sec. 2200.177)]	_____	_____	_____
ii. 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); GASB 34 par. 109, as amended (GASB Cod. sec. 2200.177)]	_____	_____	_____
12. Does the deductions section separately display			
a. benefits and refunds paid to plan members and beneficiaries? (Benefits paid should not include payments made by an insurance company in accordance with a contract that is excluded from plan assets. However, 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. The amounts reported may be net of the plan's dividend income for the year on excluded contracts.) [GASB 25 par. 30–31 (GASB Cod. sec. Pe5.122–.123); GASB 34 par. 109, as amended (GASB Cod. sec. 2200.177)]	_____	_____	_____
b. total administrative expense? [GASB 25 par. 30 (GASB Cod. sec. Pe5.122); GASB 34 par. 109, as amended (GASB Cod. sec. 2200.177)]	_____	_____	_____
Note Disclosures			
13. Does the summary of significant accounting policies			
a. describe the recognition policies for contributions, benefits paid, and refunds paid for defined benefit pension plans? [GASB 25 par. 32b (GASB Cod. sec. Pe5.124b)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p><i>b.</i> describe the basis of accounting and fair value of plan assets (unless reported at fair value) for defined contribution pension plans? [GASB 25 par. 41b (GASB Cod. sec. Pe6.104b)]</p>	_____	_____	_____
<p><i>c.</i> provide information about investment valuation, including</p> <p><i>i.</i> for defined benefit pension plans, a brief description of how the fair value of investments is determined? [GASB 25 par. 32b (GASB Cod. sec. Pe5.124b)]</p> <p><i>ii.</i> for defined contribution pension plans, the fair value of plan assets (unless plan assets are reported at fair value), and a brief description of how the fair value is determined, including the significant assumptions used to estimate fair value, if based on other than quoted market prices? [GASB 25 par. 41b (GASB Cod. sec. Pe6.104b)]</p>	_____	_____	_____
14. For defined benefit pension and plans, do the notes to the financial statements			
<p><i>a.</i> identify the nature of the plan (for example, as a single-employer, agent multiple-employer, or cost-sharing multiple-employer defined benefit pension plan) and disclose the number of participating employers and other contributing entities?</p>	_____	_____	_____
<p><i>b.</i> disclose the 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.)</p>	_____	_____	_____
<p><i>c.</i> briefly describe the 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?</p>	_____	_____	_____
<p><i>d.</i> disclose the authority under which the obligations of the plan members, employers, and other contributing entities to contribute to the plan are established or may be amended?</p>	_____	_____	_____
<p><i>e.</i> disclose the funding policy, including a brief description of how the contributions of the plan members, employers, 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?</p>	_____	_____	_____
<p><i>f.</i> disclose any legal or contractual maximum contribution rates?</p>	_____	_____	_____
<p><i>g.</i> disclose the required contribution rates of active plan members, in accordance with the funding policy?</p>	_____	_____	_____

		<u>Yes</u>	<u>No</u>	<u>N/A</u>
	<i>h.</i> briefly describe the terms of any long-term contracts for contributions to the plan and disclosure of the amounts outstanding at the reporting date?	_____	_____	_____
	<i>i.</i> disclose 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 specific purposes also may be disclosed but should be captioned designations, rather than reserves.)	_____	_____	_____
	<i>j.</i> briefly describe the purpose of each reserve and designation and whether the reserve is fully funded?	_____	_____	_____
	<i>k.</i> do the notes disclose the funded status of the plan as of the most recent valuation date, including the actuarial valuation date, actuarial value of plan assets, actuarial accrued liability, the total unfunded actuarial accrued liability, the actuarial value of plan assets as a percentage of the actuarial accrued liability, the annual covered payroll, and the ratio of the unfunded actuarial liability to annual covered payroll?	_____	_____	_____
	<i>l.</i> do the notes disclose information about the actuarial methods and assumptions used in valuations on which information on the annual required contributions (ARC) and funded status of the plan are based, including the actuarial cost method, methods used to determine actuarial value of assets, assumptions with respect to investment returns and salary and benefit increases, amortization methods? [GASB 25 par. 32; GASB 50 par. 4; (GASB Cod. sec. Pe5.124a-d)]	_____	_____	_____
15.	For plan investments, do disclosures include concentrations of credit risk—that is, an identification, by amount and issuer, of investments in any one issuer that represent 5 percent or more of plan net assets? (Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.) [GASB 40 par. 12–13 (GASB Cod. sec. Pe5.124e and Pe6.104c)]	_____	_____	_____
16.	For defined contribution pension plans, do the notes to the financial statements disclose a plan description, including the following:			
	<i>a.</i> Identification of the plan as a defined contribution pension plan and disclosure of the number of participating employers and other contributing entities?	_____	_____	_____
	<i>b.</i> Classes of employees covered (for example, general employees, public safety employees) and the total current membership?	_____	_____	_____
	<i>c.</i> Brief description of plan provisions and the authority under which they are established or may be amended?	_____	_____	_____
	<i>d.</i> Contribution requirements (for example, the contribution rates in dollars or as a percentage of salary) of the plan members, employers, and other contributing entities and the authority under which the requirements are established or may be amended?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
e. Brief description of how fair value of investments is determined? [GASB 25 par. 41b and GASB 50 par. 5 (GASB Cod. sec. Pe6.104b)]	_____	_____	_____

Required Supplementary Information for Defined Benefit Pension Plans

Practice Tips

GASB Statement No. 25 requires presentation of RSI to provide actuarially determined information, from a long-term perspective, about the funded status of defined benefit pension plans and the progress being made in accumulating sufficient assets to pay benefits when due. GASB Statement No. 25 requires plans to measure all actuarially determined information included in their financial reports in accordance with certain parameters. The parameters include requirements for the frequency and timing of actuarial valuations as well as for the actuarial methods and assumptions that are acceptable for financial reporting. When the methods and assumptions used in determining a plan's funding requirements meet the parameters, the same methods and assumptions are required for financial reporting by the plan.

[GASB 25 par. 35–36, GASB 50 par. 4 (GASB Cod. sec. Pe5.127–.128)]

GASB Statement No. 25, as amended by GASB Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*, requires schedules of funding progress (as of the most recent valuation date) and of employer contributions to be presented immediately after the notes to the financial statements as RSI. At a minimum, the information should be presented as RSI for each of the past six consecutive fiscal years of the plan. The following questions are written in terms of presentation of schedules and notes as RSI, but they apply equally to the content of the information in the financial statements or the notes to the financial statements.

[GASB 25 par. 33 and 37; GASB 50 par. 6 (GASB Cod. sec. Pe5.125 and Pe5.129)]

17. Are schedules of funding progress and of employer contributions presented as RSI immediately after the notes to the financial statements? (Plans that use the aggregate actuarial cost method in accordance with the parameters of GASB Statement No. 25 are not required to present a schedule of funding progress but should disclose that the aggregate method is used.) [GASB 25 par. 33 (GASB Cod. sec. Pe5.125)]	_____	_____	_____
18. Does the schedule of funding progress present the following information for each of the past six consecutive fiscal years of the plan, presented as of the actuarial valuation date (note that plans with biennial valuations need not present duplicate information for the intervening years):			
a. The actuarial valuation date?	_____	_____	_____
b. The actuarial value of plan assets?	_____	_____	_____
c. The actuarial accrued liability?	_____	_____	_____
d. The total unfunded actuarial liability or excess [(b) minus (c)]?	_____	_____	_____
e. The actuarial value of assets as a percentage of the actuarial accrued liability or excess (funded ratio) [(b) divided by (c)]?	_____	_____	_____
f. The annual covered payroll?	_____	_____	_____
g. The ratio of the unfunded actuarial liability or excess to annual covered payroll [(d) divided by (f)]? [GASB 25 par. 37 and fn 26 (GASB Cod. sec. Pe5.129 and fn 24)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
19. Does the schedule of employer contributions present the following information for each of the past six consecutive fiscal years of the plan:			
<i>a.</i> The dollar amount of the ARC applicable to that year?	_____	_____	_____
<i>b.</i> The percentage of that ARC that was recognized in the plan's statement of changes in fiduciary net assets (or net position) for that year as contributions from the employers?	_____	_____	_____
20. If the plan's funding policy includes contributions from sources other than the plan members and the employers, are the required contributions of those other contributing entities and the percentage recognized as made included in the schedule of employer contributions?	_____	_____	_____
<i>a.</i> Is the schedule appropriately titled to indicate that it includes contributions from nonemployer entities? [GASB 25 par. 38 (GASB Cod. sec. Pe5.130)]	_____	_____	_____
21. Do the following note disclosures accompany the RSI:			
<i>a.</i> Identification of the actuarial methods and significant assumptions used for the most recent year reported in the schedules, including			
<i>i.</i> the actuarial cost method?	_____	_____	_____
<i>ii.</i> the methods used to determine the actuarial value of assets?	_____	_____	_____
<i>iii.</i> the assumptions with respect to the inflation rate, investment return, projected salary increases, and postretirement benefit increases? (If the economic assumptions contemplate different rates for successive years [year-based or select and ultimate rates], the rates that should be disclosed are the ultimate rates.)	_____	_____	_____
<i>iv.</i> 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? (Plans that use the aggregate actuarial cost method should disclose that the method does not identify or separately amortize unfunded actuarial liabilities.)	_____	_____	_____
<i>b.</i> Factors that significantly affect the identification of trends in the amounts reported in the schedules, 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? [GASB 25 par. 40 (GASB Cod. sec. Pe5.132)]	_____	_____	_____
22. For defined benefit plans that use the aggregate actuarial cost method, does the required supplementary schedule of funding progress use the entry age actuarial cost method and disclose that fact and that the purpose of the disclosure is to provide information that approximates the funding progress of the plan? [GASB 50 par. 6 (GASB Cod. sec. Pe5.129)]	_____	_____	_____

Yes No N/A

Pension Plans—Sponsor and Employer Reporting as Trust Funds³⁹

Practice Tips

As discussed in the Practice Tips at the beginning of the subsection on employee benefit pension plans—stand-alone plan reporting of this section of this checklist, the GASB standards for defined benefit pension plans apply whether (a) the plan's financial statements are included in a separate financial report issued by the plan or by the PERS that administers the plan (stand-alone plan financial report) or (b) the plan is included as a pension trust fund or fiduciary component unit in the financial reporting entity of the sponsor or employer.

[GASB 25 par. 13, as amended by GASB 34 par. 106 (GASB Cod. sec. Pe5.105); GASB 27 par. 4, as amended by GASB 34 par. 3 and 106 (GASB Cod. sec. P20.102 and Pe5.109)]

This subsection of the checklist includes questions that address financial reporting and disclosure requirements when employee benefit pension plans are included as pension trust funds or fiduciary component units in a sponsor's or employer's financial statements.

This subsection of this checklist should be used in conjunction with other applicable questions in this checklist to evaluate the financial statements and notes of the plan financial statements. For example, plans will have cash and investments, and the questions in this checklist relating to cash and investments should be answered. As another example, if a plan has capital assets, the questions relating to capital assets should be answered.

Overview

23. Are employee benefit plans, including those that are fiduciary component units, reported in the entity's financial statements as pension (and other employee benefit) trust funds?

[GASB 25 fn 2 (GASB Cod. sec. Pe6 fn 2); GASB 25 par. 13, as amended by GASB 34 par. 106 (GASB Cod. sec. Pe5.105); GASB 43 par. 5 (GASB Cod. sec. Po50.102); GASB 34 par. 70 (GASB Cod. sec. 1300.111)]

24. Is each plan considered a separate fund?

[GASB 25 par. 15 and 17 (GASB Cod. sec. Pe5.107 and .109); GASB 43 par. 8 (GASB Cod. sec. Po50.105); Generally Accepted]

25. Are financial statements for individual pension plans and postemployment healthcare plans presented in the notes to the financial statements if the plans have not issued separate, GAAP financial reports?

- a. If the pension plans or postemployment healthcare plans have issued separate, GAAP financial reports, do the notes instead include information about how to obtain those separate reports?

[GASB 34 par. 106 (GASB Cod. sec. 2200.175 and Pe5.109)]

³⁹ See footnote 5.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>Statement of Fiduciary Net Assets (or Net Position) and Statement of Changes in Fiduciary Net Assets (or Net Position)</i>			
26. Do the financial statements meet the GASB standards for the display of pension (and other employee benefit) trust funds? (See questions 4–12 in the subsection on employee benefit pension plans in this section of this checklist.) [GASB 34 par. 108–109, as amended by GASB 43 par. 11 (GASB Cod. sec. 2200.176–.177)]	_____	_____	_____
27. If the financial statements include both defined benefit pension plans and postemployment healthcare plans, do the combined statements of fiduciary net assets (or net position) and changes in fiduciary net assets (or net position) subdivide net assets (or net position) and the net increase or decrease for the year between those for the pension plans and those for the postemployment healthcare plans? [GASB 43 par. 14 (GASB Cod. sec. Po50.110)]	_____	_____	_____
<i>Note Disclosures</i>			
28. Are required note disclosures made for defined benefit pension plans? See questions 13(a), 13(c)(i), 14, and 15 in the subsection on employee benefit pension plans in this section of this checklist. (If the plan's financial statements are presented in both the employer's report and a publicly available GAAP financial report, and the employer discloses information about how to obtain the stand-alone plan financial report, the employer may limit its disclosures to those listed in questions 13(a), 13(b)(i), 14(c), 14(g), and 15.) [GASB 25 par. 32 and GASB 40 par. 12 (GASB Cod. sec. Pe5.124)]	_____	_____	_____
29. Are required note disclosures made for defined contribution pension plans? See questions 13(b), 13(c)(ii), 15, and 16 in the subsection on employee benefit pension plans in this section of this checklist. (If the plan's financial statements are presented in both the employer's report and a publicly available GAAP financial report, and the employer discloses information about how to obtain the stand-alone plan financial report, the employer may limit its disclosures to those listed in questions 13(b), 13(c)(ii), 15, and 16(a).) [GASB 25 par. 41 (GASB Cod. sec. Pe6.104)]	_____	_____	_____
<i>Required Supplementary Information for Defined Benefit Pension Plans</i>			
30. For each plan, are schedules of funding progress and employer contributions and notes to RSI included as RSI in the employer's financial report unless (a) the required schedules are included with the plan's financial statements in a publicly available, stand-alone plan financial report and (b) the employer discloses in its notes to the financial statements information about how to obtain the stand-alone plan financial report? (The requirements for these schedules and notes are listed in questions 17–22 in the subsection on employee benefit pension plans in this section of this checklist.)	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
31. For each single employer plan for which (a) the required schedules are included with the plan's financial statements in a publicly available, stand-alone plan financial report and (b) the employer discloses in its notes to the financial statements information about how to obtain the stand-alone plan financial report, is a schedule of funding progress and notes to RSI presented for the three most recent actuarial valuations? (The requirements for this schedule and notes are listed in questions 17–18 and questions 21–22 in the subsection on employee benefit pension plans in this section of this checklist.)	_____	_____	_____
I. Employee Other Postemployment Benefit Plans			
<i>Defined Benefit OPEB Plans—Stand-Alone Plan Reporting Overview</i>			
1. If the entity administers the plan as a trust or equivalent arrangement as provided in GASB Statement No. 43 paragraph 4, do the basic financial statements consist of a statement of plan net assets (or net position) and a statement of changes in plan net assets (or net position)? [GASB 43 par. 17 (GASB Cod. sec. Po50.113) or GASB 63 par. 17, as amended by GASB 63 par. 6]	_____	_____	_____
2. Are multiple-employer OPEB plans that the entity administers, but not as a trust or equivalent arrangement as provided in GASB Statement No. 43, paragraph 4, reported as agency funds? [GASB 43 par. 5 and 41 (GASB Cod. sec. Po50.102 and Po50.140)]	_____	_____	_____
3. If the financial report includes more than one defined benefit OPEB plan, does it present combining financial statements for all plans administered? (An entity should meet this requirement by (a) presenting a separate column in its basic financial statements for each plan administered or (b) presenting combining statements for those plans as part of the basic financial statements. If the entity administers one or more agent multiple-employer plans, the display requirements apply at the aggregate plan level for each plan administered. The entity is not required to include financial statements and schedules for the individual plans of the participating employers.) [GASB 34 par. 140, as amended (GASB Cod. sec. Sp20.109); GASB 43 par. 13 (GASB Cod. sec. 2200 fn 41)]	_____	_____	_____
<i>Statement of Plan Net Assets (or Net Position)</i>			
4. Are plan assets subdivided into			
a. the major categories of assets held, for example, cash and cash equivalents, receivables, investments, and assets used in plan operations?	_____	_____	_____
b. the principal components of the receivables and investment categories? [GASB 43 par. 19 (GASB Cod. sec. Po50.115)]	_____	_____	_____
5. Do plan assets exclude allocated insurance contracts? [GASB 43 par. 22 (GASB Cod. sec. Po50.118)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p><i>a.</i> Do plan assets include derivative contracts at fair value? [GASB 43 par. 22 as amended by GASB 53 par. 20 and 67 (GASB Cod. sec. Po50.118)]</p>	_____	_____	_____
<p>6. Do plan liabilities exclude benefits payable from contracts that are excluded from plan assets and for which payments to the insurance company have been made? [GASB 43 par. 24 (GASB Cod. sec. Po50.120)]</p>	_____	_____	_____
<p>7. For plans that are reported as agency funds, are assets accumulated in excess of liabilities to pay premiums or benefits, or for investment or administrative expenses, offset by liabilities to participating employers? (That is, no plan net assets [or net position] should be reported.) [GASB 43 par. 41 (GASB Cod. sec. Po50.139)]</p>	_____	_____	_____
<p>8. For OPEB plans that are administered as trust or equivalent arrangements as provided in GASB Statement No. 43, paragraph 4, is the difference between total plan assets and total plan liabilities at the reporting date captioned <i>net assets held in trust (or net position) for OPEB</i>? [GASB 43 par. 25 (GASB Cod. sec. Po50.121)]</p>	_____	_____	_____
<i>Statement of Changes in Plan Net Assets (or Net Position)</i>			
<p>9. Is the information in the statement presented in two principal sections—additions and deductions?</p>	_____	_____	_____
<p>10. Is the difference between total additions and deductions reported as the net increase (or decrease) for the year in plan net assets (or net position)? [GASB 43 par. 26 (GASB Cod. sec. Po50.122)]</p>	_____	_____	_____
<p>11. Does the additions section of the statement include the information in these four categories as applicable, separately displayed:</p>			
<p><i>a.</i> Contributions from the employers?</p>	_____	_____	_____
<p><i>b.</i> Contributions from plan members, including those transmitted by the employers?</p>	_____	_____	_____
<p><i>c.</i> Contributions from sources other than the employers and plan members (for example, state government contributions to a local government plan)? [GASB 43 par. 27 (GASB Cod. sec. Po50.123)]</p>	_____	_____	_____
<p><i>d.</i> Net investment income, including</p>			
<p><i>i.</i> the following two components either separately displayed or combined and reported as one amount: [GASB 43 par. 27 fn 7 (GASB Cod. sec. Po50 fn 7)]</p>			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(1) the net appreciation (depreciation) in the fair value of plan investments? (The net appreciation (depreciation) in the fair value of investments should include realized gains and losses on investments that were both bought and sold during the year. Realized and unrealized gains and losses should not be separately displayed in the financial statements.) [GASB 43 par. 27 and fn 6 (GASB Cod. sec. Po50 fn 6)]	_____	_____	_____
(2) Interest income, dividend income, and other income? (Consistent with reporting investments at their fair value, interest income should be reported at the stated interest rate; any premiums or discounts on debt securities should not be amortized.) [GASB 43 par. 27 and fn 7 (GASB Cod. sec. Po50 fn 7)]	_____	_____	_____
ii. Total investment expense, separately displayed, including investment management and custodial fees and all other significant investment-related costs? [GASB 43 par. 27 (GASB Cod. sec. Po50.123)]	_____	_____	_____
12. Does the deductions section separately display			
a. benefits and refunds paid to plan members and beneficiaries? (Benefits paid should not include payments made by an insurance company in accordance with a contract that is excluded from plan assets. However, 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. The amounts reported may be net of the plan's dividend income for the year on excluded contracts.) [GASB 43 par. 28–29 (GASB Cod. sec. Po50.124–.125)]	_____	_____	_____
b. total administrative expense? [GASB 43 par. 28 (GASB Cod. sec. Po50.124)]	_____	_____	_____
Note Disclosures			
13. Does the summary of significant accounting policies			
a. describe the recognition policies for contributions, benefits paid, and refunds paid?	_____	_____	_____
b. briefly describe how the fair value of investments is determined, including 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?	_____	_____	_____
14. For all OPEB plans (both those that are administered as trusts or equivalent arrangements and those that are reported as agency funds), do the notes to the financial statements			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>a.</i> identify the nature of the plan (for example, as a single-employer, agent multiple-employer, or cost-sharing multiple-employer defined benefit OPEB plan) and disclose the number of participating employers and other contributing entities?	_____	_____	_____
<i>b.</i> disclose the 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.)	_____	_____	_____
<i>c.</i> briefly describe the 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?	_____	_____	_____
<i>d.</i> disclose the authority under which the obligations of the plan members, employers, and other contributing entities to contribute to the plan are established or may be amended?	_____	_____	_____
<i>e.</i> disclose the funding policy, including a brief description of how the contributions of the plan members, employers, 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?	_____	_____	_____
<i>f.</i> disclose legal or contractual maximum contribution rates disclosed, if applicable?	_____	_____	_____
<i>g.</i> include the required contribution rates of active or retired plan members, in accordance with the funding policy, expressed as a rate (amount) per member or as a percentage of covered payroll?	_____	_____	_____
<i>h.</i> briefly describe the terms of any long-term contracts for contributions to the plan and disclosure of the amounts outstanding at the reporting date? [GASB 43 par. 30a–30c(4) (GASB Cod. sec. Po50.126 and 2300.107) and 41 (GASB Cod. sec. Po50.139)]	_____	_____	_____
15. For OPEB plans that are administered as trusts or equivalent arrangements, do the notes to the financial statements also			
<i>a.</i> disclose the balances in the plan's legally required reserves at the reporting date? (Amounts of net assets (or net position) designated by the plan's board of trustees or other governing body for specific purposes also may be disclosed but should be captioned designations, rather than reserves.)	_____	_____	_____
<i>b.</i> briefly describe the purpose of each reserve and designation and whether the reserve is fully funded?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. disclose information about the funded status of the plan as of the most recent valuation date, including the actuarial valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial accrued liability, 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 to annual covered payroll?	_____	_____	_____
d. disclose information about actuarial methods and assumptions used in valuations on which reported information about the ARC of the employers and the funded status and funding progress of OPEB plans are based, including the following:			
i. That actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and that actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future?	_____	_____	_____
ii. That the required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits?	_____	_____	_____
iii. That calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point? (In addition, if applicable, disclosure should indicate that the projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.)	_____	_____	_____
iv. That actuarial calculations reflect a long-term perspective? (In addition, if applicable, disclosure should indicate that, consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.)	_____	_____	_____
v. Identification of the actuarial methods and significant assumptions used to determine the ARC for the current year and the disclosures listed in question 15c, including			
(1) the actuarial cost method?	_____	_____	_____
(2) the method(s) used to determine the actuarial value of assets?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(3) the assumptions with respect to the inflation rate, investment return (discount rate) (including the method used to determine a blended rate for a partially funded plan, if applicable), projected salary increases if relevant to determination of the level of benefits, and, for postemployment healthcare plans, the healthcare cost trend rate? (If the economic assumptions contemplate different rates for successive years [year-based or select and ultimate rates], the rates that should be disclosed are the initial and ultimate rates.)	_____	_____	_____
(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 periods) for the most recent actuarial valuation and whether the period is closed or open? (Plans that use the aggregate actuarial cost method should disclose that because the method does not identify or separately amortize unfunded actuarial accrued liabilities, information about the plan's funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and that the information presented is intended to approximate the funding progress of the plan.) [GASB 43 par. 30c(5) and d (GASB Cod. sec. 2300.107 and Po50.126)]	_____	_____	_____
16. If a plan uses the alternative measurement method permitted by GASB Statement No. 43, do the notes disclose that the plan uses that method and the source or basis of all significant assumptions or methods selected in addition to all other disclosures required by GASB Statement No. 43? [GASB No. 57 par. 6–7 (GASB Cod. sec. P50.107 and .130)]	_____	_____	_____
17. For plans that are reported as agency funds, do the notes also disclose that each participating employer is required by GASB Statement No. 45, <i>Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions</i> , to disclose additional information with regard to funding policy, the employer's annual OPEB cost and contributions made, the funded status and funding progress of the employer's individual plan, and actuarial methods and assumptions used? [GASB 43 par. 41 (GASB Cod. sec. Po50.140)]	_____	_____	_____
<i>Required Supplementary Information for OPEB Plans That Are Administered as Trusts or Equivalent Arrangements</i>			
18. Are schedules of funding progress and of employer contributions for each plan presented as RSI immediately after the notes to the financial statements? [GASB 43 par. 13, 17, and 31 (GASB Cod. sec. Po50.109, .113, .127, and 2200 fn 41)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
19. Does the schedule of funding progress present for the most recent valuation and the two preceding valuations the information listed in question 15c? [GASB 43 par. 35 (GASB Cod. sec. Po50.134)]	_____	_____	_____
20. Does the schedule of employer contributions present for the most recent valuation and the two preceding valuations, at a minimum			
a. the dollar amount of the ARC applicable to that year?	_____	_____	_____
b. the percentage of that ARC that was recognized in the plan's statement of changes in plan net assets (or net position) for that year as contributions from the employer(s)?	_____	_____	_____
21. When the plan's funding policy includes contributions from sources other than the plan members and employers (for example, contributions from a state government to a local government plan), are the required contributions of those other contributing entities and the percentage recognized as made included in the schedule of employer contributions? (The schedule should be titled <i>schedule of contributions from the employer(s) and other contributing entities</i> .) [GASB 43 par. 36 (GASB Cod. sec. Po50.135)]	_____	_____	_____
22. Are the schedules accompanied by notes that disclose factors that significantly affect the identification of trends in the amounts reported in the required schedules, 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? [GASB 43 par. 37 (GASB Cod. sec. Po50.136)]	_____	_____	_____
<i>Defined Benefit OPEB Plans—Sponsor and Employer Reporting Overview</i>			
23. Are defined benefit OPEB plans that are within the scope of GASB Statement No. 43, including those that are fiduciary component units, included as employee benefit trust or agency funds in the entity's financial statements? (Trust fund reporting is limited to plans that are administered as trusts or equivalent arrangements as defined in GASB Statement No. 43 paragraph 4. Plan sponsors should report multiple-employer OPEB plans that do not meet those criteria as agency funds.) [GASB 43 par. 4, 8, 17, and 41 (GASB Cod. sec. Po50.101, .105, .113, and .140)]	_____	_____	_____
24. Is each plan considered a separate fund? [GASB 43 par. 13–15 (GASB Cod. sec. Po50.109–.112 1 and 2200 fn 41)]	_____	_____	_____
25. Are the financial statements for individual plans presented in the notes to the sponsor's or employer's financial statements if the plans have not issued separate financial reports that include financial statements prepared in conformity with GAAP and, if applicable, RSI?	_____	_____	_____
a. If the plans have issued such separate financial reports, do the notes instead include information about how to obtain those separate reports? [GASB 43 par. 15 (GASB Cod. sec. Po50.111)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>Financial Statements and Note Disclosures</i>			
26. Do the statement of fiduciary net assets (or net position) and statement of changes in fiduciary net assets (or net position) meet the GASB standards for the display of pension (and other employee benefit) trust and agency funds as listed in questions 4–12? [GASB 34 par. 108–109, as amended by GASB 43 par. 11 (GASB Cod. sec. 2200.176–.177), and GASB 43 par. 41 (GASB Cod. sec. Po50.140)]	_____	_____	_____
27. Are required note disclosures as listed in questions 13–16 made for plans that are administered as trusts or equivalent arrangements? (If the plan’s financial statements are presented in both the employer’s report and a publicly available, stand-alone GAAP financial report, and the employer discloses information about how to obtain the stand-alone plan financial report, the employer may limit its disclosures to those listed in questions 13, 14(a), 14(h), and 16.) [GASB 43 par. 30 (GASB Cod. sec. 2300.107 and Po50.126)]	_____	_____	_____
28. Are required note disclosures as listed in questions 13–14 and 17 made for plans that are reported as agency funds? (If the plan’s financial statements are presented in both the employer’s report and a publicly available, stand-alone GAAP financial report, and the employer discloses information about how to obtain the stand-alone plan financial report, the employer may limit its disclosures to those listed in questions 13, 14a, and 14h.) [GASB 43 par. 30 (GASB Cod. sec. 2300.107 and Po50.126)]	_____	_____	_____
29. When similar note disclosures are required by GASB Statement Nos. 43 and 45, are disclosures presented in a manner that avoids unnecessary duplication? [GASB 45 par. 24 fn 19 (GASB Cod. sec. Po50 fn 19)]	_____	_____	_____
<i>Required Supplementary Information</i>			
30. For each plan that is administered as a trust or equivalent arrangement, are schedules of funding progress and employer contributions and notes to RSI as required by GASB Statement No. 43, paragraphs 35–37, and as listed in questions 19–22 presented immediately after the notes to the financial statements unless (a) the required schedules are included with the plan’s financial statements in a publicly available, stand-alone plan financial report and (b) the employer discloses in its notes to the financial statements information about how to obtain the stand-alone plan financial report? [GASB 43 par. 31–32 (GASB Cod. sec. Po50.127–.128)]	_____	_____	_____
31. For each single-employer plan for which (a) the required schedules are included with the plan’s financial statements in a publicly available, stand-alone plan financial report and (b) the employer includes in its notes to the financial statements information about how to obtain the stand-alone plan financial report, is a schedule of funding progress and notes to RSI presented as required by GASB Statement No. 43, paragraphs 35 and 37, and as listed in questions 19 and 22 for the three most recent actuarial valuations? [GASB 43 par. 32 (GASB Cod. sec. Po50.128)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
32. When similar RSI is required by GASB Statement Nos. 43 and 45, is the information presented in a manner that avoids unnecessary duplication? [GASB 45 par. 24 fn 19 (GASB Cod. sec. Po50 fn 19)]	_____	_____	_____
<i>Defined Contribution OPEB Plans</i>			
33. Are defined contribution plans that provide OPEB included as employee benefit trust funds or fiduciary component units in the entity's financial statements? [GASB 43 par. 42 (GASB Cod. sec. Pe6 fn 2)]	_____	_____	_____
34. Is each plan considered a separate fund? [Generally Accepted]	_____	_____	_____
35. Do the financial statements apply the detailed display requirements of GASB Statement Nos. 25 and 43 as listed in questions 4-7 and 8-12? [GASB 34 par. 108-109, as amended by GASB 43 par. 11; GASB 43 par. 42 (GASB Cod. sec. 2200.176-.177 and Pe6 fn 2)]	_____	_____	_____
36. 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:			
<i>a.</i> A plan description, including			
<i>i.</i> identification of the plan as a defined contribution plan and disclosure of the number of participating employers and other contributing entities?	_____	_____	_____
<i>ii.</i> classes of employees covered (for example, general employees, public safety employees) and the total current membership?	_____	_____	_____
<i>iii.</i> brief description of plan provisions and the authority under which they are established or may be amended?	_____	_____	_____
<i>iv.</i> contribution requirements (for example, the contribution rates in dollars or as a percentage of salary) of the plan members, employers, and other contributing entities and the authority under which the requirements are established or may be amended?	_____	_____	_____
<i>b.</i> 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?	_____	_____	_____
<i>c.</i> Identification of concentrations in investments (other than those issued or guaranteed by the U.S. government or those in mutual funds, external investment pools, and other pooled investments) in any one organization that represent 5 percent or more of plan net assets (or net position)?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
37. When a plan's financial statements are presented in both an employer's report and a publicly available stand-alone plan report that includes all disclosures indicated in question 36, and the employer limits its plan disclosures to those in questions 36a(i), 36b, and 36c, has the employer disclosed information about how to obtain the stand-alone plan financial report? [GASB 25 par. 41, as amended by GASB 40 par. 12 (GASB Cod. sec. Pe6.104 and Pe5.124); GASB 43 par. 42 (GASB Cod. sec. Pe6 fn 2)]	_____	_____	_____

J. Pension Benefits—Employer Reporting

Practice Tips

The pension plans to which employers contribute may be defined benefit or defined contribution plans. Defined benefit plans may be single-employer (sole), agent multiple-employer (agent), cost-sharing multiple-employer (cost-sharing), or insured plans. GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, defines the types of plans.

Some governments are legally responsible for contributions to pension plans that cover the employees of another entity. In those cases, the entity that is legally responsible for the contributions should comply with all applicable provisions of GASB Statement No. 27 for recognition, measurement, display, note disclosures, and RSI. 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 Statement No. 27 for sole employers apply, regardless of the number of entities whose employees are covered by the plan.
[GASB 27 par. 28 (GASB Cod. sec. P20.126)]

GASB Statement No. 25 requires that certain note disclosures for pension trust funds be included in the employer's financial reports. When similar disclosures are made for the employer and the pension trust fund, the employer should present the disclosures in a manner that avoids unnecessary duplication. (See the subsection on employee benefit pension plans—sponsor and employer reporting in this section of this checklist.)

[GASB 25 par. 32 (GASB Cod. sec. Pe5.124); GASB 27 fn 15 and 19 (GASB Cod. sec. P20 fn 16 and 23)]

Assets and Liabilities

1. Are pension liabilities and assets to different plans not offset in the financial statements? [GASB 27 par. 17, 19, and 25, as amended (GASB Cod. sec. P20.114–.116, and .122)]	_____	_____	_____
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Assets and Liabilities—Sole and Agent Defined Benefit Plans

2. For pensions relating to governmental funds, is a positive (negative) year-end balance in the net pension obligation (NPO) not reported in the governmental funds but as a general long-term liability (asset) only in the governmental activities column in the government-wide statement of net assets (or net position)? [GASB 27 par. 16, as amended by GASB 34 par. 82, as amended (GASB Cod. sec. P20.113) or GASB 27 par. 16, as amended by GASB 63 par. 6]	_____	_____	_____
3. For pensions relating to proprietary funds, is a positive (negative) year-end balance in the NPO reported as a year-end liability (asset) in the proprietary fund and government-wide financial statements? [GASB 27 par. 17, as amended (GASB Cod. sec. P20.114–.115); GASB 34 par. 16 (GASB Cod. sec. P20.115)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>Assets and Liabilities—Cost-Sharing Defined Benefit Plans and Defined Contribution Plans</i>			
4. Are pension assets and liabilities reported in the governmental fund, proprietary fund, and government-wide financial statements, as applicable? [GASB 27 par. 19 and 25, as amended by GASB 34 par. 16 (GASB Cod. sec. P20.116 and .122)]	_____	_____	_____
<i>Disclosures—Defined Benefit Plans, Except Insured Plans</i>			
5. Are disclosures made for each defined benefit pension plan, with disclosures for more than one plan combined in a manner that avoids unnecessary duplication? [GASB 27 par. 20 (GASB Cod. sec. P20.117)]	_____	_____	_____
6. Is the following information disclosed:			
a. A plan description, including			
i. name of the plan, identification of the PERS or other entity that administers the plan, and identification of the plan as a single-employer, agent multiple-employer, or cost-sharing multiple-employer defined benefit pension plan?	_____	_____	_____
ii. brief description of the types of benefits and the authority under which benefit provisions are established or may be amended?	_____	_____	_____
iii. whether the pension plan issues a stand-alone financial report, or is included in the report of a PERS or another entity, and, if so, how to obtain the report?	_____	_____	_____
b. The funding policy, as follows:			
i. 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?	_____	_____	_____
ii. Required contribution rate(s) of active plan members?	_____	_____	_____
iii. Required contribution rate(s) of the employer in accordance with the funding policy, in dollars or as a percentage of current-year covered payroll?	_____	_____	_____
(1) If the plan is a sole or agent plan and the rate differs significantly from the ARC, how the rate is determined (for example, by statute or contract, or the plan is financed on a pay-as-you-go basis)?	_____	_____	_____
(2) If the plan is a cost-sharing plan, 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)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. Additionally, for sole and agent plans			
i. for the current year, annual pension cost and the dollar amount of contributions made?	_____	_____	_____
ii. 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?	_____	_____	_____
iii. 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?	_____	_____	_____
iv. date of the actuarial valuation and identification of the actuarial methods and significant assumptions used to determine the ARC for the current year, including			
(1) the actuarial cost method?	_____	_____	_____
(2) the method(s) used to determine the actuarial value of assets?	_____	_____	_____
(3) the assumptions with respect to the inflation rate, investment return, projected salary increases, and postretirement benefit increases?	_____	_____	_____
(4) the amortization method (level dollar or level percentage of projected payroll)?	_____	_____	_____
(5) 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?	_____	_____	_____
(6) if the aggregate actuarial cost method is used, a statement that the method does not identify or separately amortize unfunded actuarial liabilities?	_____	_____	_____
v. Do the notes disclose information about the funded status of the plan as of the most recent valuation date, including the actuarial valuation date, actuarial value of plan assets, actuarial accrued liability, the total unfunded actuarial accrued liability, the actuarial value of plan assets as a percentage of the actuarial accrued liability, the annual covered payroll, and the ratio of the unfunded actuarial liability to annual covered payroll?	_____	_____	_____
vi. Do the notes disclose information about the actuarial methods and assumptions used in valuations on which information on the ARC, annual pension cost, and funded status and funding progress of the plan are based, including the actuarial cost method, methods used to determine actuarial value of assets, assumptions with respect to investment returns and salary and benefit increases, amortization methods?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
vii. Do the notes disclose that the projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations, if applicable? [GASB 27 par. 21; GASB 50 par. 8 (GASB Cod. sec. P20.118)]	_____	_____	_____

Disclosures—Insured Defined Benefit Plans⁴⁰

7. Do the notes to the financial statements disclose			
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 or expense, or both, and contributions or premiums paid? [GASB 27 par. 23 (GASB Cod. sec. P20.121)]	_____	_____	_____

Disclosures—Defined Contribution Plans

8. Is the following information disclosed for each plan to which the employer is required to contribute:			
a. 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 defined contribution plan?	_____	_____	_____
b. Brief description of the plan provisions and the authority under which they are established or may be amended?	_____	_____	_____
c. Contribution requirements (for example, the contribution rate in dollars or as a percentage of salary) of the plan members, employer, and other contributing entities and the authority under which the requirements are established or may be amended?	_____	_____	_____
d. The contributions actually made by plan members and the employer? [GASB 27 par. 27 (GASB Cod. sec. P20.124)]	_____	_____	_____

Required Supplementary Information for Defined Benefit Plans**Practice Tips**

Presentation of the schedule of funding progress as RSI is not required if the employer elects to disclose the required information for all three valuations in the notes to the financial statements. If a sole employer includes the plan in its financial statements and presents the RSI required for that plan by GASB Statement No. 25, the following RSI for the employer is not also required. For agent employers, the following RSI

(continued)

⁴⁰ An insured plan is a pension financing arrangement whereby an employer accumulates funds with an insurance company, while employees are in active service, in return for which the insurance company unconditionally undertakes a legal obligation to pay the pension benefits of those employees or their beneficiaries, as defined in the employer's plan (GASB 27 par. 23 [GASB Cod. sec. P20.121]).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>should be presented only for the employer's individual plan, even if the aggregate multiple-employer plan (all employers) is included as a pension trust fund in the employer's report and the RSI required for the aggregate plan is presented. However, when similar RSI is required for the employer and the plan, the employer should present it in a manner that avoids unnecessary duplication.</p> <p>[GASB 27 fn 15 and 17, as amended by GASB 50 par. 8 and fn 4 (GASB Cod. sec. P20 fn 16 and 19)]</p> <p>For RSI required for plans presented in an employer's report, see the subsection on pension plans—sponsor and employer reporting in this section of this checklist.</p>			
9. Do sole and agent employers present as RSI the following for the most recent actuarial valuation and the two preceding valuations, unless the aggregate actuarial cost method was used:			
a. A schedule of funding progress, including:			
i. The actuarial valuation date?	_____	_____	_____
ii. The actuarial value of plan assets?	_____	_____	_____
iii. The actuarial accrued liability?	_____	_____	_____
iv. The total unfunded actuarial liability or funding excess?	_____	_____	_____
v. The actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio)?	_____	_____	_____
vi. The annual covered payroll?	_____	_____	_____
vii. The ratio of the unfunded actuarial liability (or funding excess) to annual covered payroll?	_____	_____	_____
b. Factors that significantly affect the identification of trends in the amounts 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?	_____	_____	_____
[GASB 27 par. 22 (GASB Cod. sec. P20.119)]			
10. For sole and agent employers participating in defined benefit plans that use the aggregate actuarial cost method, does the required supplementary schedule of funding progress use the entry age actuarial cost method and disclose that fact and that the purpose of the disclosure is to provide information that approximates the funding progress of the plan?	_____	_____	_____
[GASB 50 par. 9 (GASB Cod. sec. P20.119)]			
11. For employers participating in a cost-sharing defined benefit plan that does not issue a stand-alone financial report for the plan and the plan is not included in another entity's report, does the employer present the RSI schedule of funding progress and employers contributions to the plan in accordance with the requirements of GASB Statement No. 25?	_____	_____	_____
[GASB 50 par. 10 (GASB Cod. sec. P20.120)]			

Yes No N/A

K. Postemployment Benefits Other Than Pensions—Employer Reporting⁴¹

Practice Tip

GASB Statement No. 45 establishes standards of accounting and financial reporting for OPEB expense or expenditures, or both, and related OPEB liabilities or OPEB assets, note disclosures, and RSI in the financial reports of state and local governmental employers. (See the definition of OPEB in the section of this appendix that discusses GASB Statement No. 43.)

[GASB 45 par. 4 (GASB Cod. sec. P50.101)]

GASB Statement No. 45 applies to single-employer (sole), agent multiple-employer (agent), and cost-sharing multiple-employer (cost-sharing) defined benefit OPEB plans, defined contribution plans that provide OPEB, and insured benefits.

If a multiple-employer plan is not administered as a formal trust, or equivalent arrangement in which (a) employer contributions to the plan are irrevocable, (b) plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan, and (c) plan assets are legally protected from creditors of the employer(s) or plan administrator, GASB Statement No. 45 requires that plan to be classified as an agent multiple-employer plan for financial reporting purposes.

[GASB 45 par. 22 (GASB Cod. sec. P50.120)]

Some governments are legally responsible for contributions to OPEB 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 Statement No. 45 for measurement and recognition of expense or expenditures, or both, liabilities, assets, note disclosures, and RSI. If the plan is a defined benefit OPEB plan and the entity with legal responsibility for contributions is the only contributing entity, the requirements of GASB Statement No. 45 for sole employers apply, regardless of the number of entities whose employees are covered by the plan.

[GASB 45 par. 32 (GASB Cod. sec. P50.131)]

GASB Statement No. 45 supersedes or amends all previous authoritative guidance on accounting and financial reporting for an employer's OPEB expense or expenditures, or both, and related information. Most notably, it supersedes GASB Statement No. 12, *Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers*, which provides note disclosures for OPEB, and paragraph 24 of GASB Statement No. 27, which permits governments to apply the provisions of GASB Statement No. 27, as amended, to postemployment healthcare benefits.

[GASB 45 par. 10]

The disclosures in this section should be included in or accompany an entity's basic financial statements. Note that the disclosure requirements in the following section are not included in the June 30, 2004, GASB *Codification*. Appendix G of GASB Statement No. 45 provides instructions for codifying the pronouncement's standards.

Assets and Liabilities

1. Are OPEB liabilities and assets to different plans not offset in the financial statements?

[GASB 45 par. 20–21, 23, and 29 (GASB Cod. sec. P50.118–.119, .121, and .127)]

⁴¹ GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, supersedes or amends all previous authoritative guidance on accounting and financial reporting for an employer's other postemployment benefit plans (OPEB) expense or expenditures, or both, and related information. Most notably, it supersedes GASB Statement No. 12, *Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers*, which provides note disclosures for OPEB, and paragraph 24 of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, which permits governments to apply the provisions of GASB Statement No. 27 to postemployment healthcare benefits.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>Note Disclosures—Defined Benefit Plans</i>			
2. Are disclosures made for each defined benefit OPEB plan, with disclosure for more than one plan combined in a manner that avoids unnecessary duplication? [GASB 45 par. 24 (GASB Cod. sec. 2300.106 and P50.122)]	_____	_____	_____
3. When similar note disclosures are required by GASB Statement Nos. 43 and 45, are disclosures presented in a manner that avoids unnecessary duplication? [GASB 45 fn 19 (GASB Cod. sec. P50 fn 19)]	_____	_____	_____
4. Is the following information disclosed:			
a. A plan description, including			
i. name of the plan, identification of the PERS or other entity that administers the plan, and identification of the plan as a single-employer, agent multiple-employer, or cost-sharing multiple-employer defined benefit OPEB plan?	_____	_____	_____
ii. brief description of the types of benefits and the authority under which benefit provisions are established or may be amended?	_____	_____	_____
iii. whether the OPEB plan issues a stand-alone financial report or is included in the report of a PERS or another entity, and, if so, how to obtain the report?	_____	_____	_____
b. The funding policy, as follows:			
i. Authority under which the obligations of the plan members, employer(s), and other contributing entities (for example, state contributions to local government plans) to contribute to the plan are established or may be amended?	_____	_____	_____
ii. Required contribution rate(s) of plan members? (The required contribution rate(s) could be expressed as a rate (amount) per member or as a percentage of covered payroll.)	_____	_____	_____
iii. Required contribution rate(s) of the employer in accordance with the funding policy, in dollars or as a percentage of current-year covered payroll, and, if applicable, legal or contractual maximum contribution rates?	_____	_____	_____
(1) If the plan is a single-employer or agent plan and the rate differs significantly from the ARC, how the rate is determined (for example, by statute or by contract) or that the plan is financed on a pay-as-you-go basis?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(2) If the plan is a cost-sharing plan, the required contributions in dollars and the percentage of that amount contributed for the current year and each of the two preceding years, and how the required contribution rate is determined (for example, by statute or by contract, or on an actuarially determined basis) or that the plan is financed on a pay-as-you-go basis?	_____	_____	_____
c. Additionally, for single-employer and agent plans			
i. for the current year, annual OPEB cost and the dollar amount of contributions made?	_____	_____	_____
ii. if the employer has a net OPEB obligation, the components of annual OPEB cost (ARC, interest on the net OPEB obligation, and adjustment to the ARC), the increase or decrease in the net OPEB obligation, and the net OPEB obligation at the end of the year?	_____	_____	_____
iii. for the current year and each of the two preceding years, annual OPEB cost, percentage of annual OPEB cost contributed that year, and net OPEB obligation at the end of the year? (For the first two years, the required information should be presented for the transition year, and for the current and transition years, respectively.)	_____	_____	_____
iv. information about the funded status of the plan as of the most recent valuation date, including the actuarial valuation date, the actuarial value of 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? (Employers that use the aggregate actuarial cost method should prepare this information using the entry age actuarial cost method for that purpose only). ⁴²	_____	_____	_____
v. information about actuarial methods and assumptions used in valuations on which reported information about the ARC, annual OPEB cost, and the funded status and funding progress of OPEB plans is based, including			

⁴² For sole employers that include the plan in the financial reporting entity as a trust fund, presentation of information about the plan's funded status and funding progress as required for the plan by GASB Statement No. 43 meets this requirement. For agent employers, this requirement applies to the employer's individual plan. The information should be presented even if the aggregate multiple-employer plan (all employers) is included as an OPEB trust fund in the employer's report and the required funded status and funding progress information is presented for the aggregate plan (GASB 45 par. 25 [GASB Cod. sec. 2300.106 and P50.123] and fn 21 [GASB Cod. sec. P50 fn 21]).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(1) that actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and that actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future?	_____	_____	_____
(2) that the required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits?	_____	_____	_____
(3) that calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. (In addition, if applicable, the employer should disclose that the projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations [as discussed in the disclosure of funding policy in question 4b(iii)] on the pattern of cost sharing between the employer and plan members in the future.)	_____	_____	_____
(4) that actuarial calculations reflect a long-term perspective? (In addition, if applicable, the entity should disclose that, consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.)	_____	_____	_____
(5) identification of the actuarial methods and significant assumptions used to determine the ARC for the current year and the information listed in question 4c(iv), including the actuarial cost method?	_____	_____	_____
(6) identification of the actuarial methods and significant assumptions used to determine the ARC for the current year and the information listed in question 4c(iv), including the method(s) used to determine the actuarial value of assets?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(7) identification of the actuarial methods and significant assumptions used to determine the ARC for the current year and the information listed in question 4c(iv), including the assumptions with respect to the inflation rate, investment return (including the method used to determine a blended rate for a partially funded plan, if applicable), postretirement benefit increases if applicable, projected salary increases if relevant to determination of the level of benefits, and, for postemployment healthcare plans, the healthcare cost trend rate? (If the economic assumptions contemplate different rates for successive years [year-based or select and ultimate rates], the rates that should be disclosed are the initial and ultimate rates.)	_____	_____	_____
(8) identification of the actuarial methods and significant assumptions used to determine the ARC for the current year and the information listed in question 4c(iv), including 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? (Employers that use the aggregate actuarial cost method should disclose that because the method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and that the information presented is intended to approximate the funding progress of the plan.) [GASB 45 par. 25 (GASB Cod. sec. 2300.106 and P50.123)]	_____	_____	_____
5. If an entity uses the alternative measurement method permitted by GASB Statement No. 45, do the notes disclose that it uses that method and the source or basis of all significant assumptions or methods selected in accordance with paragraph 34 of GASB Statement No. 45 in addition to all other disclosures required by GASB Statement No. 45? [GASB 45 par. 33–34 (GASB Cod. sec. P50.132–.133)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
Note Disclosures—Insured Benefits⁴³			
6. Do the notes to the financial statements disclose			
a. a brief description of the insured benefit, including 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?	_____	_____	_____
c. whether the employer has guaranteed benefits in the event of the insurance company's insolvency?	_____	_____	_____
d. the current-year OPEB expense or expenditures, or both, and contributions or premiums paid? [GASB 45 par. 28 (GASB Cod. sec. P50.126)]	_____	_____	_____

Note Disclosures—Defined Contribution Plans

7. Is the following information disclosed for each plan to which the employer is required to contribute:			
a. Name of the plan, identification of the PERS or other entity that administers the plan, and identification of the plan as a defined contribution plan?	_____	_____	_____
b. Brief description of the plan provisions and the authority under which they are established or may be amended?	_____	_____	_____
c. Contribution requirements (for example, the contribution rate in dollars or as a percentage of salary) of the plan members, employer, and other contributing entities (for example, state contributions to local government plans) and the authority under which the requirements are established or may be amended?	_____	_____	_____
d. The contributions actually made by plan members and the employer? [GASB 45 par. 31 (GASB Cod. sec. P50.129)]	_____	_____	_____

Required Supplementary Information⁴⁴

Sole and Agent Employers⁴⁵

⁴³ An *insured benefit* is an OPEB financing arrangement whereby an employer pays premiums to an insurance company while employees are in active service, in return for which the insurance company unconditionally undertakes an obligation to pay the postemployment benefits of those employees or their beneficiaries, as defined in the employer's plan. If an employer's OPEB financing arrangement with the insurance company does not meet those criteria, the benefit is not an insured benefit for financial reporting purposes, and the employer should comply with the requirements of GASB Statement No. 45 for sole and agent employers (GASB 45 par. 28 [GASB Cod. sec. P50.126]).

⁴⁴ GASB Statement No. 43 includes the requirements for required supplementary information (RSI) of OPEB plans reported as trust or agency funds in the employer's financial reports. When similar information is required by GASB Statement Nos. 43 and 45, the employer should present the disclosures in a manner that avoids unnecessary duplication (GASB 45 par. 24 fn 19 [GASB Cod. sec. P50 fn 19]).

⁴⁵ For sole employers that include the plan in the financial reporting entity (as a trust fund), presentation of information about the plan's funded status and funding progress as required for the plan by GASB Statement No. 43, as amended, meets these requirements. For agent employers, these requirements apply to the employer's individual plan. The information should be presented even if the aggregate multiple-employer plan (all employers) is included as an OPEB trust fund in the employer's report and the required funded status and funding progress information is presented for the aggregate plan (GASB 45 par. 26 fn 24 [GASB Cod. sec. P50 fn 24]).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
8. Do sole and agent employers present as RSI the following information for the most recent actuarial valuation and the two preceding valuations: ⁴⁶			
a. Information about the funding progress of the plan, including, for each valuation, each of the elements of information listed in question 4c)(iv)?	_____	_____	_____
b. Factors that significantly affect the identification of trends in the amounts 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?	_____	_____	_____
9. If the entity uses the aggregate actuarial cost method, has it prepared the RSI using the entry age actuarial cost method and disclosed that fact and that the purpose of the disclosure listed in question 6 is to provide information that approximates the funding progress of the plan? [GASB 45 par. 26 (GASB Cod. sec. P50.122)]	_____	_____	_____

Cost-Sharing Employers

10. If the cost-sharing plan in which an entity participates does not issue and make publicly available a stand-alone plan financial report prepared in accordance with the requirements of GASB Statement No. 43, and the plan is not included in the financial report of a PERS or another entity, does the entity present as RSI schedules of funding progress and employer contributions for the plan (and notes to those schedules), prepared in accordance with the requirements of GASB Statement No. 43? (The employer should disclose that the information presented relates to the cost-sharing plan as a whole, of which the employer is one participating employer, and should provide information helpful for understanding the scale of the information presented relative to the employer.)
[GASB 45 par. 27 (GASB Cod. sec. P50.123)]

L. Pollution Remediation Obligations***Assets, Liabilities, Revenues, and Expenditures/Expenses***

1. Are assets, liabilities, revenues, and expenditures or expenses, or both, related to pollution remediation obligations reported in the government-wide financial statements and fund financial statements?
[GASB 49 par. 23–24 (GASB Cod. sec. 2300.106 and P40.121–.122)]
2. For pollution remediation activities reported in governmental funds, are such activities reported on the current financial resources measurement focus and modified accrual basis of accounting?
[GASB 34 par. 79 (GASB Cod. sec. 1100.110a)]

⁴⁶ Until three actuarial valuations have been performed in accordance with the parameters of GASB Statement No. 45, the RSI should be presented for as many years as it is available. Retroactive application of GASB Statement No. 45 is not required. However, employers that have available actuarial information that was calculated using methods and assumptions that do not differ significantly from the parameters for periods prior to the implementation date may elect to apply the measurement requirements of GASB Statement No. 45 retroactively. Those employers may be able to provide information in accordance with the parameters for the prior three actuarial valuations when GASB Statement No. 45 is first implemented (GASB 45 par. 26 fn 23 [GASB Cod. sec. P50 fn 23]).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
3. For pollution remediation activities reported in proprietary funds and the government-wide financial statements, are such activities reported on the economic resources measurement resources focus and accrual basis of accounting? [GASB 34 par. 16 and 92 (GASB Cod. sec. 1100.109 and .110b)]	_____	_____	_____
4. In the proprietary funds and government-wide financial statements, are pollution remediation outlays capitalized when they meet any of the following circumstances:			
a. The outlays are for preparing property in anticipation of a sale? Capitalization should be of only amounts that would result in the carrying amount of the property not exceeding the fair value upon completion of the remediation.	_____	_____	_____
b. The outlays are for preparing property for use when the property was acquired with known or suspected pollution that was expected to be remediated? Capitalization should be of only outlay amounts expected to be necessary to place the asset into its intended location and condition for use.	_____	_____	_____
c. The outlays are for performing pollution remediation that restores a pollution-caused decline in service utility that was recognized as an asset impairment? Capitalization should be of only outlay amounts expected to be necessary to place the asset into its intended location and condition for use.	_____	_____	_____
d. The outlays are to acquire property, plant, and equipment that have a future alternative use? Capitalization should be of only outlay amounts to the extent of the estimated service utility that will exist after pollution remediation activities have ceased. [GASB 49 par. 22; GASB 34 par. 18, as amended (GASB Cod. sec. 1100.106, 1400.102, and P40.120)]	_____	_____	_____
5. In governmental funds financial statements, are pollution remediation outlays reported as pollution remediation expenditures? [GASB 49 par. 23 (GASB Cod. sec. P40.121)]	_____	_____	_____
6. Are pollution remediation liabilities reported once an obligating event occurs and the amount can be reasonably estimated? [GASB 49 par. 10–13 (GASB Cod. sec. P40.108–.111)]	_____	_____	_____
7. Are pollution remediation liabilities measured at the current value of outlays expected to be occurred using the expected cash flow technique? [GASB 49 par. 14–17 (GASB Cod. sec. P40.112–.115)]	_____	_____	_____
8. If applicable, have pollution remediation liability estimates been adjusted when benchmarks are met or when new information indicates changes in the estimated outlays? [GASB 49 par. 18 (GASB Cod. sec. P40.116)]	_____	_____	_____
9. Are pollution remediation liabilities reported net of expected recoveries from insurance policies or other third parties when the expected recoveries are not yet realized or realizable? [GASB 49 par. 19–21 (GASB Cod. sec. P40.117–.119)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
10. Are expected recoveries that are realized or realizable reported separately from the pollution remediation liability as recovery assets, such as cash or receivables? [GASB 49 par. 19–21 (GASB Cod. sec. P40.117–.119)]	_____	_____	_____
Note Disclosures			
11. For recognized pollution remediation liabilities and recoveries of pollution remediation outlays, did the government disclose			
a. the nature and source of pollution remediation obligations, such as federal or state laws and regulations?	_____	_____	_____
b. the amount of the estimated liability (if not apparent from the financial statements) the methods and assumptions used for the estimate, and the potential for changes to the estimate due to such circumstances as price increases or decreases, technology advancements, or changes in applicable laws and regulations?	_____	_____	_____
c. estimated recoveries reducing the liability?	_____	_____	_____
12. For pollution remediation liabilities, or portions thereof, that are not yet recognized because they are not reasonably estimable, did the government disclose a general description of the nature of the pollution remediation activities? [GASB 49 par. 25–26 (GASB Cod. sec. P40.123–.124)]	_____	_____	_____

M. Public Entity Risk Pools**Practice Tip**

A public entity risk pool is a cooperative group of governmental entities joining together to finance an exposure, liability, or risk. A pool may be a stand-alone entity or part of a larger governmental entity that acts as the pool's sponsor. If a government provides insurance or risk management coverage separate from its own risk management activities to individuals or organizations outside its reporting entity and there is material transfer or pooling of risk among the participants, it should report that activity as a public entity risk pool. A governmental entity that is a pool's sponsor also may participate in the pool for its own risk management function. If a government provides risk transfer or pooling coverage combined with its own risk management activities to individuals or organizations outside its reporting entity, those activities should be reported as a public entity risk pool if the sponsoring government is not the predominant participant in the activity.

[GASB 10 par. 10–11 and 76 (GASB Cod. sec. C50.144 and Po20.109–.110)]

Basic Financial Statements

- | | | | |
|--|-------|-------|-------|
| 1. Does the public entity risk pool account for its activities in an enterprise fund, regardless of whether there is a transfer or pooling of risk?
[GASB 10 par. 18 (GASB Cod. sec. Po20.115)] | _____ | _____ | _____ |
|--|-------|-------|-------|

Entities that have implemented GASB Statement No. 62 may omit question 2.

- | | | | |
|---|-------|-------|-------|
| 2. Do the pool's financial statements apply all applicable GASB pronouncements as well as private-sector standards as provided in GASB Statement No. 20, as amended?
[GASB 20 par. 6 (GASB Cod. sec. Po20.115) and 7 (GASB Cod. sec. P80.103)] | _____ | _____ | _____ |
|---|-------|-------|-------|

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
3. Does the pool report include an MD&A; a statement of net assets (or net position); a statement of revenues, expenses, and changes in net assets (or changes in net position); a statement of cash flows; notes to the financial statements; and RSI other than MD&A, as applicable? [GASB 34 par. 138 (GASB Cod. sec. Po20.114, Sp20.107, and Ut5.104); GASB 34 par. 138, as amended by GASB 63 par. 6]	_____	_____	_____
4. 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? ⁴⁷ [GASB 10 par. 21 (GASB Cod. sec. Po20.118)]	_____	_____	_____
5. If the pool purchases annuity contracts in the claimant's name to satisfy a claim liability, and the likelihood that the pool will be required to make future payments on the claim is remote, are the contracts not reported in, and the related liability removed from, the pool's statement of net assets (or net position)? [GASB 10 par. 26 (GASB Cod. sec. Po20.123) or GASB 10 par. 26, as amended by GASB 63 par. 6]	_____	_____	_____
6. 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 have been incurred?	_____	_____	_____
a. 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?	_____	_____	_____
b. If it is considered probable that a 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. Po20.124)]	_____	_____	_____
Entities that have implemented GASB Statement No. 65 may omit question 7.			
7. Are unamortized acquisition costs classified as an asset, and do proceeds from reinsurance transactions that represent recovery of acquisition costs reduce applicable unamortized acquisition costs? [GASB 10 par. 29 and 38 (GASB Cod. sec. Po20.126 and .135)]	_____	_____	_____
Entities that have not implemented GASB Statement No. 65 may omit question 8.			
8. Are acquisition costs recognized as outflow of resources in the period incurred? [GASB 10 par. 29 as amended by GASB 65 par. 20]	_____	_____	_____

⁴⁷ This question and the remaining questions in this subsection do not apply to a public entity risk pool that does not involve any transfer or pooling of risk among pool participants. In those situations, the pool is acting as a claims servicer, not as an insurer. Instead, the activity statement of this type of pool should report claims-servicing revenue and administrative costs. 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, as appropriate (GASB 10 par. 51; GASBI 4 par. 13 [GASB Cod. sec. Po20.150]).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
9. Are policyholder dividends that are used to reduce premiums reported as dividend expense and premium income? [GASB 10 par. 32 (GASB Cod. sec. Po20.129)]	_____	_____	_____
10. If experience refund arrangements exist under experience-rated contracts, is a separate liability accrued for those amounts, with those amounts reducing revenue? [GASB 10 par. 33 (GASB Cod. sec. Po20.130)]	_____	_____	_____
Entities that have implemented GASB Statement No. 65 may omit question 11.			
11. Are premium deficiencies in excess of unamortized acquisition costs reported as a premium deficiency liability and as a premium deficiency expense?	_____	_____	_____
12. Are premium deficiencies resulting from risk-sharing pool participation contracts reported as revenue and assessments receivable? [GASB 30 par. 5 (GASB Cod. sec. Po20.133)]	_____	_____	_____
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?	_____	_____	_____
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?	_____	_____	_____
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?	_____	_____	_____
16. Are receivables and payables from the same reinsurer, including amounts withheld, netted? [GASB 10 par. 37 (GASB Cod. sec. Po20.134)]	_____	_____	_____
17. Does the pool report a liability if it has agreed to service ceded insurance contracts without reasonable compensation? [GASB 10 par. 38 (GASB Cod. sec. Po20.135)]	_____	_____	_____
18. 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 reported as a deposit (or as a liability, if a net credit)? [GASB 10 par. 39 (GASB Cod. sec. Po20.136)]	_____	_____	_____
19. Does the pool report capitalization contributions to another public entity risk pool as provided for proprietary funds in GASB Codification sections C50.133, .134, and .136, and not as an equity interest in a joint venture? (See section "Risk Financing and Related Financing Issues—Entities Other Than Risk Pools" in this section of this checklist.) [GASBI 4 par. 3 (GASB Cod. sec. J50.113); GASBI 4 par. 10 and fn 9 (GASB Cod. sec. Po20.137)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
20. Are capitalization contributions received reported as a liability or as unearned premiums, depending on the probability that the contributions will be returned? [GASBI 4 par. 11–12 (GASB Cod. sec. Po20.138–.139)]	_____	_____	_____
21. Concerning investments:			
a. Does the pool apply the accounting and financial reporting standards for debt securities, marketable equity securities, and certain other, similar investments provided in GASB Codification section I50? [GASB Cod. sec. Po20.140]	_____	_____	_____
b. Is the amortization of purchased premiums or discounts on mortgage loans, and other related charges or credits, charged or credited to investment income?	_____	_____	_____
c. Are changes in the allowance for estimated uncollectible amounts relating to mortgage loans included in realized gains and losses? [GASB 10 par. 42 (GASB Cod. sec. Po20.141)]	_____	_____	_____
d. Is depreciation and other related charges or credits on real estate investments charged or credited to investment income?	_____	_____	_____
e. Are changes in the allowance for any impairment in value relating to real estate investments included in realized gains and losses? [GASB 10 par. 43 (GASB Cod. sec. Po20.142)]	_____	_____	_____
f. Are other-than-temporary declines in the fair value of other investments below their carrying amounts reported as a realized loss and a reduction of the carrying amount of the investment? [GASB 10 par. 44, as amended by GASB 31 par. 6 (GASB Cod. sec. Po20.144)]	_____	_____	_____
Entities that have implemented GASB Statement No. 62 may omit question 21g.			
g. Are loan origination and commitment fees and direct loan origination costs accounted for as prescribed in FASB Statement No. 91, <i>Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases—an amendment of FASB Statements No. 13, 60, and 65 and a rescission of FASB Statement No. 17</i> ? [GASB 10 par. 45 (GASB Cod. sec. Po20.145) or GASB 62 par. 434–441]	_____	_____	_____
Entities that have not implemented GASB Statement No. 62 may omit questions 21h–i.			
h. Are loan origination fees and direct loan origination costs accounted for as prescribed in GASB Statement No. 62? [GASB 62 par. 434–436]	_____	_____	_____
i. Are loan commitment fees and costs accounted for as prescribed in GASB Statement No. 62? [GASB 62 par. 437–438]	_____	_____	_____

		<u>Yes</u>	<u>No</u>	<u>N/A</u>
j.	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 as required by FASB Statement No. 52, <i>Foreign Currency Translation</i> , or GASB Statement No. 62 paragraph 166), reported in the statement of revenues, expenses, and changes in net assets as a component of other income? [GASB 10 par. 46, as amended by GASB 31 par. 13 (GASB Cod. sec. Po20.146); GASB 10 fn 7 (GASB Cod. sec. Po20 fn 7)]	_____	_____	_____
22.	Concerning real estate:			
a.	Is such real estate classified either as an investment or as real estate used in the pool's operations, depending on its predominant use?	_____	_____	_____
b.	Are depreciation and other real estate operating costs classified as investment expenses or operating expenses consistent with the classification in the statement of net assets (or net position) of the related asset?	_____	_____	_____
c.	Is imputed investment income and rental expense not reported for real estate used in the pool's operations? [GASB 10 par. 48 (GASB Cod. sec. Po20.147) or GASB 10 par. 48, as amended by GASB 63 par. 6]	_____	_____	_____
23.	Does the pool disclose the following matters in the notes to the financial statements:			
a.	A description of the risk transfer or pooling agreement, including the rights and responsibilities of the pool and the pool participants?	_____	_____	_____
b.	A brief description of the number and types of entities participating in the pool?	_____	_____	_____
c.	The basis for estimating the liabilities for unpaid claims and claim adjustment expenses?	_____	_____	_____
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?	_____	_____	_____
Entities that have implemented GASB Statement No. 65 may omit question 23e.				
e.	The nature of acquisition costs capitalized, the method of amortizing those costs, and the amount of those costs amortized for the period?	_____	_____	_____
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? [GASB 10 par. 49 (GASB Cod. sec. Po20.148) or GASB 10 par. 49, as amended by GASB 63 par. 6]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
g. Whether the pool considers anticipated investment income in determining if a premium deficiency exists? [GASB 10 par. 49 and fn 6 (GASB Cod. sec. Po20.148 and fn 5) or GASB 10 par. 49, as amended by GASB 64 par. 6]	_____	_____	_____
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 financial statement date for unpaid claims and claim adjustment expenses? [GASB 30 par. 6 (GASB Cod. sec. Po20.148)]	_____	_____	_____
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 this tabular format:			
i. Amount of liabilities for unpaid claims and claim adjustment expenses at the beginning of each fiscal year?	_____	_____	_____
ii. Incurred claims and claim adjustment expenses, including the provision for insured events of the current fiscal year and the increase (decrease) in the provision for insured events of prior fiscal years?	_____	_____	_____
iii. Payments for claims and claim adjustment expenses attributable to insured events of the current fiscal year and claims and claim adjustment expenses attributable to insured events of prior fiscal years?	_____	_____	_____
iv. Other items, with an explanation of each material item?	_____	_____	_____
v. Amount of liabilities for unpaid claims and claim adjustment expenses at the end of each fiscal year? [GASB 10 par. 49 (GASB Cod. sec. Po20.148) or GASB 10 par. 49, as amended by GASB 63 par. 6]	_____	_____	_____
j. The aggregate outstanding amount of liabilities for which annuity contracts have been purchased from third parties in the claimants' names and for which the related liabilities have been removed from the statement of net assets. (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.) [GASB 10 par. 26 and 49 (GASB Cod. sec. Po20.123 and .148) or GASB 10 par. 26 and 49, as amended by GASB 63 par. 6]	_____	_____	_____

Required Supplementary Information

Practice Tips

In separate pool financial reports, the following RSI should be presented immediately after the notes to the financial statements. Pools that are included as part of a governmental reporting entity and that do not issue separate financial reports also should present the following RSI after the notes to the reporting entity's financial statements. However, if such a reporting entity issues a comprehensive annual financial report (CAFR), the entity may present the RSI for the pool with the statistical information.
[GASB 30 par. 7 (GASB Cod. sec. Po20.149 and fn 10)]

Yes No N/A

If the 10 years of information about claims liabilities and claim adjustment expenses is not available (see question 23a), all required information should be presented only for as many years as that information is available. If changes in a pool's loss, expense, reinsurance, excess insurance, or other transactions materially affect pool revenue, expenses, or liabilities in a manner not fairly disclosed or presented in the RSI tables, the pool should expand the information to show additional detail (such as separate information for each type of contract) to keep the schedules from being misleading or to keep trends from becoming obscured. [GASB 30 par. 7 (GASB Cod. sec. Po20.149)]

24. Is the following claims development information presented as RSI:

a. A table that presents

- | | | | | |
|------|---|-------|-------|-------|
| i. | 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 10 fiscal years including the latest fiscal year? | _____ | _____ | _____ |
| ii. | amount of reported unallocated claim adjustment expenses and reported other costs for each of the past 10 fiscal years including the latest fiscal year? | _____ | _____ | _____ |
| iii. | 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)? | _____ | _____ | _____ |
| iv. | 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 question 23a(iii)? | _____ | _____ | _____ |
| v. | 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 question 23a(iii)? | _____ | _____ | _____ |
| vi. | 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 question 23a(iii)? | _____ | _____ | _____ |
| vii. | 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 question 23a(vi) 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 question 23a(iii)? | _____ | _____ | _____ |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p><i>b.</i> A table that reconciles 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 question 22i? [GASB 30 par. 7 (GASB Cod. sec. Po20.149)]</p>	_____	_____	_____
N. Risk Financing and Related Financing Issues—Entities Other Than Risk Pools⁴⁸			
<p>1. Are accrued liabilities for claims and judgments reported in the government-wide and proprietary and fiduciary fund financial statements, but only reported in the governmental fund financial statements to the extent the liabilities are “normally expected to be liquidated with expendable available financial resources”? [GASB 34 par. 16, 82, 92, and 107 (GASB Cod. sec. 1100.108 and C50.120 and .124); GASB 6 par. 14 (GASB Cod. sec. 1600.107)]</p>	_____	_____	_____
Entities that have not implemented GASB Statement No. 66 may omit question 2.			
<p>2. If a single fund is used in the fund financial statements to account for the entity’s risk financing activities, is that fund either the general fund or an internal service fund?⁴⁹ [GASB 10 par. 63 (GASB Cod. sec. C50.124)]</p>	_____	_____	_____
Entities that have implemented GASB Statement No. 66 may omit question 3.			
<p>3. If the entity uses a governmental fund to account for its risk financing activities and allocates loss expenditures or expenses, or both, to the other funds of the entity</p>			
<p><i>a.</i> are amounts charged to other funds from the general fund reported as interfund reimbursements (that is, as expenditures or expenses in the paying fund and as reductions of the expenditure or expense in the governmental fund)?</p>	_____	_____	_____
<p><i>b.</i> if the total amounts charged to the other funds (including the governmental fund itself) exceed total expenditures and liabilities determined in accordance with Cod. Section C50.110–.114, are the excess amounts reported as transfers? [GASB 10 par. 64; GASB 34 par. 112 (GASB Cod. sec. C50.126)]</p>	_____	_____	_____
<p>4. If the entity uses an internal service fund to account for its risk financing activities</p>			

⁴⁸ The practice tip in the subsection on public entity risk pools in this section of this checklist discusses how an entity that provides insurance or risk management coverage to individuals or organizations outside the governmental reporting entity should report that activity.

⁴⁹ Stand-alone entities that engage only in business-type activities or fiduciary activities and that are not considered to be a part of another financial reporting entity should not use an internal service fund to report their own risk-financing activities (GASB 10 fn 12, as amended by GASB 14 par. 66; GASB 34 par. 138–139 [GASB Cod. sec. C50 fn 8]).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>a.</i> are charges made by the internal service fund to the other funds calculated in accordance with the provisions of GASB Codification section C50.128 reported as revenue by the internal service fund and as expenditures or expenses in the paying funds?	_____	_____	_____
<i>b.</i> is the excess of charges greater than the amount resulting from the application of GASB Cod. Section C50.128 reported in both the internal service fund and the paying funds as a transfer?	_____	_____	_____
<i>c.</i> if the charge 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 or expense of those funds?	_____	_____	_____
<i>d.</i> do the notes to the financial statements disclose a deficit net asset (or net position) balance in the internal service fund?	_____	_____	_____
<i>e.</i> are net assets (or net position) 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 disclosed in the notes to the financial statements as equity designated for future catastrophe losses? [GASB 10 par. 67; GASB 34 par. 98 (GASB Cod. sec. C50.129); GASB 10 par. 68, as amended (GASB Cod. sec. C50.130) or GASB 34 par. 98, as amended by GASB 63 par. 6]	_____	_____	_____

Entities that have not implemented GASB Statement No. 66 may omit question 5.

5. If the entity uses governmental funds to account for its risk financing activities and allocates loss expenditures or expenses, or both, to the other funds of the entity			
<i>a.</i> are amounts charged to other funds from the governmental fund reported as interfund reimbursements (that is, as expenditures or expenses in the paying fund and as reductions of the expenditure or expense in the governmental fund)?	_____	_____	_____
<i>b.</i> if the total amounts charged to the other funds (including the governmental fund itself) exceed total expenditures and liabilities determined in accordance with Cod. Section C50.110–.114, are the excess amounts reported as transfers? [GASB 10 par. 64; GASB 34 par. 112, as amended by GASB 66 par. 3]	_____	_____	_____
6. Are risk financing internal service fund asset and liability balances that are not eliminated in the statement of net assets (or net position) reported in the governmental activities column unless enterprise funds are the predominant or only participants in the risk financing internal service fund? [GASB 34 par. 62 (GASB Cod. sec. C50.122) or GASB 34 par. 62, as amended by GASB 63 par. 6]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
7. Are eliminations made in the government-wide statement of activities to remove the “doubling-up” effect of risk financing internal service fund activity? [GASB 34 par. 59 (GASB Cod. sec. C50.123)]	_____	_____	_____
8. 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?	_____	_____	_____
a. Does the disclosure indicate the nature of the contingency and give an estimate of the possible loss or range of loss or state that such an estimate cannot be made? [GASB 10 par. 58 (GASB Cod. sec. C50.115)]	_____	_____	_____
9. If the entity purchases an annuity contract in a claimant’s name to satisfy a claim liability and the likelihood that the entity 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 entity’s government-wide and proprietary fund financial statements, as appropriate? (If it is later determined that the primary liability will revert back to the entity, the liability should be reinstated on the entity’s financial statements.) [GASB 10 par. 61, as amended (GASB Cod. sec. C50.118)]	_____	_____	_____

Participation in Risk Pools

10. If the 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			
a. report its premium or required contribution (as well as additional assessments and obligations that meet the recognition criteria in Cod. sec. C50.132 and .133) in the government-wide and fund financial statements as insurance expenditures or expenses?	_____	_____	_____
b. does the entity disclose assessment and obligation amounts that are probable but not reasonably estimable as well as those that are reasonably possible? [GASB 10 par. 69, as amended by GASB 34 par. 6 (GASB Cod. sec. C50.132); GASB 10 par. 70 (GASB Cod. sec. C50.133)]	_____	_____	_____
c. 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?	_____	_____	_____
i. In governmental funds, is the deposit classified as non-spendable fund balance because it is considered contractually required to be maintained intact? [GASBI 4 par. 4 as amended by GASB 54 par. 6 (GASB Cod. sec. C50.134)]	_____	_____	_____
d. If it is not probable that a capitalization contribution will be returned			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
i. in governmental funds, is the entire amount of the contribution reported as an expenditure in the period of the contribution; or reported initially as prepaid insurance (an asset), and reported as expenditures over the periods for which the pool is expected to provide coverage and if prepaid insurance is reported, is the deposit amount classified as nonspendable fund balance because it is not in spendable form?	_____	_____	_____
ii. in the government-wide and proprietary fund financial statements, is the contribution reported initially as prepaid insurance (an asset), and reported as expenses over the periods for which the pool is expected to provide coverage?	_____	_____	_____
iii. in governmental funds, is the entire amount of the contribution reported as an expenditure in the period of the contribution, or reported initially as prepaid insurance (an asset) and reported as expenditures over the periods for which the pool is expected to provide coverage and nonspendable fund balance to indicate it is not in spendable form? [GASBI 4 par. 5–7 (GASB Cod. sec. C50.135–.138); GASBI 4 par. 6, as amended (GASB Cod. sec. C50.136); GASB 54 par. 6 (GASB Cod. sec. 1800.143)]	_____	_____	_____
11. If the entity participates in a pool without transfer or pooling of risks, is a capitalization contribution reported as a deposit or a reduction of claims liabilities, as appropriate? [GASB 10 par. 71 and GASBI 4 par. 9 (GASB Cod. sec. C50.139)]	_____	_____	_____
<i>Retrospectively Rated Insurance Policies</i>			
12. If the entity is insured under a retrospectively rated insurance policy whose ultimate premium or required contribution is based primarily on the entity's loss experience, does it disclose in the notes to the financial statements a contingency if it cannot estimate losses from reported and unreported claims? [GASB 10 par. 73 (GASB Cod. sec. C50.141)]	_____	_____	_____
13. If the entity is insured under a retrospectively rated insurance policy with premiums or required contributions that are based primarily on the experience of a group of entities, does it disclose in the notes to the financial statements			
a. the fact that it is insured under a retrospectively rated insurance policy?	_____	_____	_____
b. that premiums are accrued based on the ultimate cost of the experience to date of a group of entities?	_____	_____	_____
c. a contingency if it cannot estimate losses from reported and unreported claims? [GASB 10 par. 74 (GASB Cod. sec. C50.142)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>Other Disclosures</i>			
14. Is disclosure made if claims liabilities include allocated or unallocated claims adjustment expenditures or expenses other than specific, incremental claims adjustment expenditures or expenses? [GASB 30 par. 9 and fn 6 (GASB Cod. sec. C50 fn 6)]	_____	_____	_____
15. Are the following disclosed in the notes to the financial statements, if applicable, including in the separately issued financial statements of 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?	_____	_____	_____
c. If an entity participates in a risk pool, a description of the nature of the participation, including the rights and the responsibilities of both the entity and the pool? [GASB 10 par. 77, as amended, and 79, as amended (GASB Cod. sec. C50.145 and .148)]	_____	_____	_____
16. If an entity retains the risk of loss, does it disclose the following:			
a. The basis for estimating the liabilities for unpaid claims, including the effects of specific, incremental claim adjustment expenditures or expenses, salvage, and subrogation, and whether other allocated or unallocated claim adjustment expenditures or expenses are included?	_____	_____	_____
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?	_____	_____	_____
c. The aggregate outstanding amount of claims liabilities for which annuity contracts have been purchased in the claimants' names and for which the related liabilities have been removed from the statement of net assets (or net position)? (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.)	_____	_____	_____
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:			
i. Amount of claims liabilities at the beginning of each fiscal year?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
ii. Incurred claims, representing the total of a provision for events of the current fiscal year and any change (increase or decrease) in the provision for events of prior fiscal years?	_____	_____	_____
iii. Payments on claims attributable to events of both the current fiscal year and prior fiscal years?	_____	_____	_____
iv. Other items and explanations of each material item?	_____	_____	_____
v. Amount of claims liabilities at the end of each fiscal year? [GASB 10 par. 77; GASB 30 par. 10 (GASB Cod. sec. C50.145)]	_____	_____	_____
O. Sales and Pledges of Receivables and Future Revenues			
<i>Assets, Liabilities, Revenues, and Expenditures/Expenses</i>			
1. Do the financial statements include activities related to the sale or collateralized borrowing of receivables or future revenues? [GASB 48 par. 5–14 (GASB Cod. sec. S20.102–.111)]	_____	_____	_____
2. For transactions in which the government receives, or is entitled to receive, proceeds in exchange for future cash flows from receivables, and the government's continuing involvement with those receivables have been effectively terminated, has the government reported the transaction as a sale? [GASB 48 par. 6–9 and 13–14 (GASB Cod. sec. S20.103–.106 and .110–.111)]	_____	_____	_____
3. For transactions in which the government receives, or is entitled to receive, proceeds in exchange for future cash flows from receivables, and the government's does not meet the criteria for the transaction to be classified as a sale, has the government reported the transaction as a collateralized borrowing? [GASB 48 par. 11–12 (GASB Cod. sec. S20.108–.109)]	_____	_____	_____
4. For transfers of assets and future revenues within the same reporting entity, has the transferee recognized the assets or future revenues at the same carrying value of the transferor, and any difference recorded as income or expense as follows:			
a. Gain or loss by the transferor in separately issued financial statements?	_____	_____	_____
b. Revenue or expenditure or expense, or both, by the transferee in separately issued financial statements?	_____	_____	_____
c. Transfers or subsidies in the financial statements of the reporting entity?	_____	_____	_____
d. For sales of future revenues, a deferred charge by the transferee and amortized over the life of the agreement?	_____	_____	_____
Entities that have implemented GASB Statement No. 65 may omit question 4e.			
e. For sales of future revenues, deferred revenue to be recognized over the duration of the sale agreement? [GASB 48 par. 15–16 (GASB Cod. sec. S20.112–.113)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
Entities that have not implemented GASB Statement No. 65 may omit questions 4f–g.			
<p><i>f.</i> Has the transferee government reported the amount paid as a deferred outflow of resources to be recognized over the duration of the sale agreement until the recognition criteria appropriate to that type of revenue are met?</p>	_____	_____	_____
<p><i>g.</i> Has the transferor government reported the amount received from the intra-equity sale as a deferred inflow of resources in its government-wide and fund financial statements and recognized the amount as revenue over the duration of the sale agreement? [GASB 65 par. 13]</p>	_____	_____	_____
<p>5. For the receipt of a note or a residual certificate arising from a sale of specific receivables or future revenues, has the government properly reported the residual interest as follows:</p>			
<p><i>a.</i> For the transferor, as an adjustment to the sale gain or loss in the period of the sale, and as revenues in subsequent periods?</p>	_____	_____	_____
<p><i>b.</i> For the transferee, as a liability for its obligation to remit residuals? [GASB 48 par. 17 (GASB Cod. sec. S20.114)]</p>	_____	_____	_____
<p>6. Has the transferor recognized estimated liabilities arising from the agreement, such as recourse obligations or repurchase commitments, when information available prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated? [GASB 48 par. 18 (GASB Cod. sec. S20.115)]</p>	_____	_____	_____
<p>7. For pledges of future revenues when the resources are not received by the pledging government, and a component unit issues debt for the benefit of the pledging government where the future revenue has been pledged to the component unit, has the pledging government and component unit reported the arrangement as follows:</p>			
<p><i>a.</i> At the time of the pledge agreement, the pledging government has not recognized a liability, and the component unit has not recognized a receivable?</p>	_____	_____	_____
<p><i>b.</i> Upon recognition of the revenue that is pledged, the pledging government has recorded the revenue and a liability and related expenditure or expense, or both?</p>	_____	_____	_____
<p><i>c.</i> The debt-issuing component unit has recognized revenue when the pledging government is obligated to make the payments? [GASB 48 par. 19–20 (GASB Cod. sec. S20.116–.117)]</p>	_____	_____	_____
Note Disclosures			
<p>8. For each period in which secured debt remains outstanding, do the notes to the financial statements of the pledging government disclose:</p>			
<p><i>a.</i> Identification of the specific revenue pledged and the approximate amount of the pledge?</p>	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>b.</i> Identification and the general purpose of the debt secured by the pledge?	_____	_____	_____
<i>c.</i> The period of time during which the pledged revenue will not be available for other purposes?	_____	_____	_____
<i>d.</i> The relationship of the pledged amount to the total for that specific revenue, if estimable?	_____	_____	_____
<i>e.</i> A comparison of the pledged revenues recognized during the period to the principal and interest requirement for the debt directly or indirectly collateralized by the pledged revenues? [GASB 48 par. 21 (GASB Cod. sec. S20.118)]	_____	_____	_____
9. In the year of sales of future revenues, do the notes to the financial statements of the selling government disclose			
<i>a.</i> identification of the specific revenue sold, including the approximate amount sold, and the significant assumptions used in determining the approximate amount?	_____	_____	_____
<i>b.</i> the period to which the sale applies?	_____	_____	_____
<i>c.</i> the relationship of the sold amount to the total for that specific revenue, if estimable?	_____	_____	_____
<i>d.</i> a comparison of the sale proceeds and the present value of the future revenues sold, including significant present value assumptions? [GASB 48 par. 22 (GASB Cod. sec. S20.119)]	_____	_____	_____

Entities that have not implemented GASB Statement No. 60 may omit questions 1–3.

P. Service Concession Arrangements

1. Do the notes include a general description of the service concession arrangements in effect during the reporting period, including management's objectives for entering into it and, if applicable, the status of the project during the construction period?	_____	_____	_____
2. Are the nature and amounts of assets, liabilities, and deferred inflows of resources related to a service concession arrangement that are recognized in the financial statements disclosed?	_____	_____	_____
3. Are the nature and extent of rights retained by the transferor or granted to the governmental operator under the service concession arrangement disclosed?	_____	_____	_____

Q. Special Assessments

1. Are the transactions of a service-type special assessment reported in the fund type that best reflects the nature of the transactions (usually the general fund, a special revenue fund, or an enterprise fund) as well as in the government-wide financial statements? [GASB 6 par. 14, as amended by GASB 33; GASB 34 par. 15 (GASB Cod. sec. S40.114)]	_____	_____	_____
<i>a.</i> In the government-wide financial statements, are service-type special assessment revenues reported as charges for services, a program revenue? [GASB 37 par. 13 (GASB Cod. sec. 2200.137)]	_____	_____	_____

		<u>Yes</u>	<u>No</u>	<u>N/A</u>
2.	Is general obligation debt that will be repaid, in part, from special assessments reported as general long-term liabilities only in the governmental activities column in the government-wide statement of net assets (or net position)? [GASB 6 par. 17; GASB 34 par. 82 (GASB Cod. sec. S40.116a) or GASB 34 par. 82, as amended by GASB 63 par. 6]	_____	_____	_____
3.	Is special assessment debt for which the government is not obligated in any manner not displayed in the government's financial statements? (However, if the government is liable for a portion of that debt—the public benefit portion, or as a property owner—that portion should be reported like other general long-term liabilities.) [GASB 6 par. 17 (GASB Cod. sec. S40.116c)]	_____	_____	_____
a.	Are the debt service transactions for this special assessment debt reported in an agency fund? [GASB 6 par. 19 (GASB Cod. sec. 1300.107 and S40.119)]	_____	_____	_____
b.	Is the construction phase reported in a capital projects or other appropriate fund, with the source of funds identified by a description other than "bond proceeds," such as "contribution from property owners"? [GASB 6 par. 19 (GASB Cod. sec. 1800.108 and S40.119)]	_____	_____	_____
c.	Are the capital assets constructed or acquired reported only as general capital assets in the governmental activities column in the government-wide statement of net assets (or net position)? [GASB 6 par. 19; GASB 34 par. 80 (GASB Cod. sec. S40.119) or GASB 34 par. 80, as amended by GASB 63 par. 6]	_____	_____	_____
d.	Is the "contribution" of the capital assets reported as program revenue with other grants or contributions restricted for capital purposes in the government-wide statement of activities? [GASB 6 par. 19; GASB 34 par. 16 and 50 (GASB Cod. sec. S40.125)]	_____	_____	_____
e.	Do the notes to the financial statements 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? [GASB 6 par. 21 (GASB Cod. sec. S40.127)]	_____	_____	_____
4.	For special assessment debt for which the government is obligated in some manner			
a.	and that debt is not a direct obligation of a proprietary fund nor expected to be repaid from operating revenues of a proprietary fund			
i.	are all expenditures reported in the same manner as any other capital improvement and financing transaction?	_____	_____	_____
ii.	is a capital projects or other appropriate fund used to report the transactions of the construction phase?	_____	_____	_____

		<u>Yes</u>	<u>No</u>	<u>N/A</u>
iii.	is a debt service fund used to report the transactions of the debt service phase if legally mandated or if financial resources are being accumulated for principal and interest payments maturing in future years? [GASB 6 par. 15, as amended (GASB Cod. sec. S40.118)]	_____	_____	_____
iv.	is the debt reported as general long-term liabilities only in the governmental activities column in the government-wide statement of net assets (or net position)? [GASB 6 par. 15 and 17, as amended (GASB Cod. sec. S40.116b, .118, and .121)]	_____	_____	_____
	(1) Is the portion of the debt that will be repaid from property owner assessments reported as "special assessment debt with governmental commitment"? [GASB 6 par. 17 (GASB Cod. sec. S40.116b(1))]	_____	_____	_____
	(2) Is the portion of the debt that will be repaid from general resources of the government (the public benefit portion, or the amount assessed against government-owned property) reported like other general long-term liabilities? [GASB 6 par. 17, as amended (GASB Cod. sec. S40.116b(2))]	_____	_____	_____
v.	are the capital assets constructed or acquired reported and depreciated, as appropriate, as general capital assets only in the governmental activities column in the government-wide financial statements? [GASB 6 par. 15, 19, and 23, as amended (GASB Cod. sec. S40.116d, .118–.119)]	_____	_____	_____
b.	and that debt that is a direct obligation of a proprietary fund or expected to be repaid from operating revenues of a proprietary fund			
i.	are all transactions reported in the same manner as any other capital improvement and financing transaction reported in proprietary funds? [GASB 6 par. 15; GASB 34 par. 92 (GASB Cod. sec. S40.121)]	_____	_____	_____
ii.	is the debt reported as liabilities in the proprietary fund as well as in the business-type activities column in the government-wide statement of net assets (or net position)? [GASB 6 par. 23, as amended (GASB Cod. sec. S40.116b and .123 or GASB 6 par. 23, as amended by GASB 63 par. 6)]	_____	_____	_____
iii.	are capital assets constructed or acquired reported and depreciated, as appropriate, in the proprietary fund and in the business-type activities column in the government-wide financial statements? [GASB 6 par. 15, 19, and 23, as amended (GASB Cod. sec. S40.116d, .122, and .124–.125)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
iv. is the “contribution” of the capital assets to the proprietary fund reported in the fund as capital contributions after nonoperating revenues and expenses? [GASB 6 par. 23; GASB 34 par. 92 and 100 (GASB Cod. sec. 1400.136 and S40.122)]	_____	_____	_____
c. do the notes to the financial statements disclose			
i. information otherwise required by GASB standards for long-term debt?	_____	_____	_____
ii. the nature of the government’s obligation, including the identification and description of any guarantee, reserve, or sinking fund established to cover defaults by property owners?	_____	_____	_____
iii. the amount of special assessment receivables that are delinquent if not separately displayed on the face of the financial statements? [GASB 6 par. 20 (GASB Cod. sec. S40.126)]	_____	_____	_____
5. If the entity establishes a special assessment bond reserve, guarantee, or sinking fund to provide cash if the assessed property owners default, are the related transactions and balances reported in a debt service fund? [GASB 6 par. 18 (GASB Cod. sec. S40.117)]	_____	_____	_____
6. If a special assessment district is a component unit, are the accounts of that unit, including the special assessment debt for which the component unit is obligated in some manner, included in the reporting entity financial statements in accordance with the provisions of GASB Statement No. 14, even though the primary government may have no obligation for the debt? [GASB 6 par. 24, as amended by GASB 14 par. 13 (GASB Cod. sec. S40.128)]	_____	_____	_____

R. Termination Benefits***Assets, Liabilities, Revenues, and Expenditures/Expenses***

1. Are assets, liabilities, revenues, and expenditures or expenses, or both, related to employee termination benefits (such as early retirement benefits or severance benefits) reported in the government-wide financial statements and fund financial statements? [GASB 47 par. 3–7 (GASB Cod. sec. P20 fn 2 and T25.101–.103)]	_____	_____	_____
2. For termination benefits reported in governmental funds, are such activities reported on the current financial resources measurement focus and modified accrual basis of accounting? [GASB 47 par. 16 (GASB Cod. sec. T25.112)]	_____	_____	_____
3. For termination benefits reported in proprietary funds and the government-wide financial statements, are such activities reported on the economic resources measurement resources focus and accrual basis of accounting? [GASB 47 par. 12–15 (GASB Cod. sec. T25.108–.111)]	_____	_____	_____
4. Are healthcare-related termination benefits measured at the discounted present value of expected future benefits? [GASB 47 par. 9 (GASB Cod. sec. T25.105)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
5. Are nonhealthcare-related termination benefits measured either at the discounted present value of expected future benefits or undiscounted total of estimated future benefit payments at current cost levels? [GASB 47 par. 10–11 (GASB Cod. sec. T25.106–.107)]	_____	_____	_____
6. Has the employer recognized a liability and expense for voluntary termination benefits when the employees accept the offer and the amounts can be estimated? [GASB 47 par. 12 (GASB Cod. sec. T25.108)]	_____	_____	_____
7. Has the employer recognized a liability and expense for involuntary termination benefits when a plan of termination has been communicated to employees and the amounts can be estimated? [GASB 47 par. 13–15 (GASB Cod. sec. T25.109–.111)]	_____	_____	_____

Note Disclosures

8. Do the notes to the financial statements disclose the following:

- | | | | | |
|----|--|-------|-------|-------|
| a. | In the period in which an employer becomes obligated for termination benefits and in any additional period in which employees are required to render future service in order to receive involuntary termination benefits, a description of the termination benefit arrangement(s)—for example, information about the type(s) of benefits provided, the number of employees affected, and the period of time over which benefits are expected to be provided?
[GASB 47 par. 18 (GASB Cod. sec. T25.114)] | _____ | _____ | _____ |
| b. | In the period in which an employer becomes obligated for termination benefits, the cost of termination benefits if that information is not otherwise identifiable from information displayed on the face of the financial statements? (To meet this requirement, an employer that provides termination benefits that affect defined benefit pension or OPEB obligations should disclose in the notes the change in the actuarial accrued liability for the pension or OPEB plan attributable to the termination benefits.)
[GASB 47 par. 19 (GASB Cod. sec. T25.115)] | _____ | _____ | _____ |
| c. | In all periods in which termination benefit liabilities are reported, the significant methods (for example, whether termination benefits are measured at the discounted present value of expected future benefit payments) and assumptions (for example, the discount rate and healthcare cost trend rate, if applicable) used to determine the liabilities?
[GASB 47 par. 20 (GASB Cod. sec. T25.116)] | _____ | _____ | _____ |
| d. | If so, the fact that a termination benefit that otherwise meets the recognition criteria of GASB Statement No. 47, <i>Accounting for Termination Benefits</i> , is not recognized because the expected benefits are not estimable?
[GASB 47 par. 21 (GASB Cod. sec. T25.117)] | _____ | _____ | _____ |

Yes No N/A

S. Going Concern

Practice Tips

GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, incorporates into authoritative literature guidance presented in the AICPA Statements on Auditing Standards. Three issues are addressed by the statement: related party transactions, going concern considerations, and subsequent events. Related party transactions and subsequent events are discussed in other parts of this checklist.

Continuation of a legally separate governmental entity as a going concern is assumed in the absence of significant information to the contrary. Information that may significantly contradict the going concern assumption would relate to a governmental entity's inability to continue to meet its obligations as they become due without substantial disposition of assets outside the ordinary course of governmental operations, restructuring of debt, submission to the oversight of a separate fiscal assistance authority, or financial review board or similar actions.

Preparers should evaluate if there is substantial doubt about a government's ability to continue as a going concern for 12 months beyond the financial statement date. [GASB 56 par. 16 (GASB Cod. sec. 2250.114)].

1. Are there indicators that there may be substantial doubt about an entity's ability to continue as a going concern including, but not limited to
 - a. Negative trends—recurring periods in which expenses/expenditures significantly exceed revenues, unsubsidized operating losses in business-type activities, consistent working capital deficiencies, negative operating cash flows in business type activities or other adverse key financial ratios?
 - b. Other indications of possible financial difficulties—for example, default on bonds, loans, or similar agreements; proximity to debt and tax limitations; denial of usual trade credit from suppliers; restructuring of debt (other than refundings); non-compliance with statutory capital or reserve requirements; or the need to seek new sources or methods of financing or to dispose of substantial assets?
 - c. Internal matters—for example, work stoppages, labor difficulties or substantial dependence on the success of a particular project or program, uneconomic long-term commitments (burdensome labor contracts, for example), or the need to significantly revise operations?
 - d. External matters—legal proceedings, legislation, or similar matters that might jeopardize intergovernmental revenues and the fiscal sustainability of key governmental programs; the loss of a critical license or patent for a business-type activity; the loss of a principal customer, taxpayers, or supplier; or a uninsured or underinsured catastrophe such as a drought, earthquake or flood?
[GASB 56 par. 17 (GASB Cod. sec. 2250.115)]
 - e. Have these indicators been balanced against the taxing power and borrowing capabilities of the government?
[GASB 56 par. 18 (GASB Cod. sec. 2250.116)]

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
Note Disclosures			
2. If there is substantial doubt about a governmental entity's ability to continue as a going concern, do the notes include disclosure, as appropriate			
a. pertinent conditions and events giving rise to the assessment of substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time?	_____	_____	_____
b. the possible effects of such conditions and events?	_____	_____	_____
c. the entity's officials' evaluation of the significance of those conditions and events and any mitigating factors?	_____	_____	_____
d. possible discontinuance of operations?	_____	_____	_____
e. government officials' plans including relevant prospective financial information?	_____	_____	_____
f. information about the recoverability or classification of recorded asset amounts or the amounts or classification of liabilities?	_____	_____	_____
[GASB 56 par. 19 (GASB Cod. sec. 2250.117)]			

Practice Tips

GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*, applies to governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The statement requires those governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan and retroactive application is required for all prior periods presented during which a government was in bankruptcy.

If restatement of the financial statements of the prior periods is required but not practical, then the cumulative effect of applying the statement should be reported as a restatement of beginning net assets or equity or fund balance, as appropriate (or net position for entities that have implemented GASB Statement No. 63) for the earliest period restated. If the information for previous years is not restated, governments should explain the nature of the differences from the prior information and why restatement was not practical.

T. Chapter 9 Bankruptcies

1. Governments that have filed for bankruptcy should disclose the following:			
a. Pertinent conditions and events giving rise to the petition for bankruptcy.	_____	_____	_____
b. The expected or known effects of such conditions and events, including			
i. principal categories of the claims subject to compromise or that already have been adjusted.	_____	_____	_____
ii. principal changes in terms and the major features of settlement.	_____	_____	_____
iii. aggregate gain expected to occur by remeasuring liabilities subject to a proposed plan of adjustment, or realized, as appropriate; or a statement that any gain is not yet reasonably estimable and the reasons therefore.	_____	_____	_____
iv. contingent claims not subject to reasonable estimation based on the provisions of NCGA Statement No. 4.	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. Significance of those conditions and events on the levels of service and operations of the government, and any mitigating factors, such as assumption of services by other governments.	_____	_____	_____
d. Possibility of termination of the government or any plans to terminate the government, as appropriate.	_____	_____	_____
e. How to obtain a copy of the government's plan of adjustment or a statement that a plan is not yet available and an estimate of when it will be completed. [GASB 58 par. 15 (GASB Cod. sec. Bn5.114)]	_____	_____	_____

VIII. Required Supplementary Information

1. Except as indicated elsewhere in this checklist, is RSI presented immediately following the notes to the financial statements? [GASB 34 par. 6 and fn 5 (GASB Cod. sec. 2200.102c and fn 3)]	_____	_____	_____
2. Does RSI distinguish between information pertaining to the primary government (including its blended component units) and that of its discretely presented component units? [GASB 14 par. 62 (GASB Cod. sec. 2600.121)]	_____	_____	_____
A. Management's Discussion and Analysis			
1. Is MD&A presented preceding the basic financial statements? [GASB 34 par. 8 (GASB Cod. sec. 2200.106)]	_____	_____	_____
2. Does the MD&A			
a. discuss the current-year results in comparison with the prior year, with emphasis on the current year? ⁵⁰	_____	_____	_____
b. discuss the positive and negative aspects of the comparison with the prior year? [GASB 34 par. 9 (GASB Cod. sec. 2200.107)]	_____	_____	_____
c. focus on the primary government and distinguish between information pertaining to the primary government and that of its component units?	_____	_____	_____
d. discuss matters related to a component unit based on the individual component unit's significance to the total of all discretely presented component units and that component unit's relationship with the primary government?	_____	_____	_____
e. refer readers to the component unit's separately issued financial statements, when appropriate? [GASB 34 par. 10 (GASB Cod. sec. 2200.108)]	_____	_____	_____
3. Does the MD&A include the following topics, if relevant:			

⁵⁰ If a government is presenting comparative prior-year financial statements, the MD&A should address both years presented in the comparative financial statements and include comparative condensed financial information and related analysis for both years. That is, the MD&A should discuss both (a) the current-year results in comparison with the prior year and (b) the prior-year results in comparison with the second prior year. Completely separate MD&As are not required (Q&A item 7.5.4; AAG-SLV 14.62).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. A brief discussion of the basic financial statements, including the relationships of the statements to each other, and the significant differences in the information they provide? (This discussion should include analyses that assist readers in understanding why measurements and results reported in fund financial statements either reinforce information in government-wide statements or provide additional information.)	_____	_____	_____
b. Condensed financial information derived from government-wide financial statements comparing the current year to the prior year, including the following:			
i. Total assets, distinguishing between capital and other assets?	_____	_____	_____
ii. Total liabilities, distinguishing between long-term liabilities and other liabilities?	_____	_____	_____
iii. Total net assets (or net position), distinguishing among amounts invested in capital assets, net of related debt; restricted amounts; and unrestricted amounts?	_____	_____	_____
iv. Program revenues, by major source?	_____	_____	_____
v. General revenues, by major source?	_____	_____	_____
vi. Total revenues?	_____	_____	_____
vii. Program expenses, at a minimum by function?	_____	_____	_____
viii. Total expenses?	_____	_____	_____
ix. Excess (deficiency) before contributions to term and permanent endowments or permanent fund principal, special and extraordinary items, and transfers?	_____	_____	_____
x. Contributions?	_____	_____	_____
xi. Special and extraordinary items?	_____	_____	_____
xii. Transfers?	_____	_____	_____
xiii. Change in net assets (or net position)?	_____	_____	_____
xiv. Ending net assets (or net position)?	_____	_____	_____
c. An analysis of the government's overall financial position and results of operations that addresses whether financial position has improved or deteriorated as a result of the year's operations? (The analysis should address both governmental and business-type activities and should include reasons for significant changes from the prior year and important economic factors that significantly affected operating results for the year.)	_____	_____	_____
d. An analysis of balances and transactions of individual funds, including the reasons for significant changes in fund balances or fund net assets (or net position) and whether restrictions, commitments, or other limitations significantly affect the availability of fund resources for future use?	_____	_____	_____

		<u>Yes</u>	<u>No</u>	<u>N/A</u>
e.	An analysis of significant variations between original and final budget amounts and between final budget amounts and actual budget results for the general fund (or its equivalent), including any currently known reasons for those variations that are expected to have a significant effect on future services or liquidity?	_____	_____	_____
f.	A description of significant capital asset and long-term debt activity during the year, including a discussion of commitments made for capital expenditures, changes in credit ratings, and debt limitations that may affect the financing of planned facilities or services? (Alternatively, the MD&A could summarize information disclosed in the notes to the financial statements as required by GASB Codification section 2300.111–.115 and refer to it for additional details.)	_____	_____	_____
g.	A discussion by governments that use the modified approach to report some or all of their infrastructure assets, including the following:			
i.	Significant changes in the assessed condition of eligible infrastructure assets from previous condition assessments?	_____	_____	_____
ii.	How the current assessed condition compares with the condition level the government has established?	_____	_____	_____
iii.	Any significant differences from the estimated annual amount to maintain or preserve, or both, eligible infrastructure assets compared with the actual amounts spent during the current period?	_____	_____	_____
h.	A description of currently known (as of the date of the auditor's report) facts, decisions, or conditions that are expected to have a significant effect on financial position or results of operations? [GASB 34 par. 11 and fn 6 and 8, as amended by GASB 37 par. 5 (GASB Cod. sec. 2200.109 and fn 6 and 9)]	_____	_____	_____
i.	A description of subsequent events that are nonrecognized as of the date of the auditors report that are expected to have a significant impact on the government's financial position or results of operations [GASB 56 par. 15 (GASB Cod. sec. 2250.113)]	_____	_____	_____
j.	If it is determined that there is substantial doubt about a governmental entity's ability to continue as a going concern, is there discussion of going concern issues in the MD&A depending on facts and circumstances? [GASB 56 par. 16 and 19 (GASB Cod. sec. 2250.114 and .117 and 2300.107)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
4. Is MD&A confined to the topics listed in question 3? (Governments can provide additional details about the required topics. However, information that does not relate to the required topics should not be included in MD&A, but may be provided elsewhere, such as in the letter of transmittal or in other forms of supplementary information.) [GASB 37 par. 4 (GASB Cod. sec. 2200.109 and fn 8)]	_____	_____	_____

B. Budgetary Comparison Schedules

Practice Tips

In general, governments may elect to report the required budgetary comparison information in budgetary comparison statements as part of the basic financial statements, rather than as RSI. (Governments that present their budgetary comparison information based on the fund, organization, or program structure that it uses for its legally adopted budget are required to present the information as RSI and can not choose to present it in the basic financial statements.) If presented in the basic financial statements, the budgetary comparison statement and notes to the financial statements should include the same items of information indicated in the following section for RSI.

[GASB 34 fn 53, as amended (GASB Cod. sec. 2200 fn 37 and 2400 fn 1); GASB 34 fn 56 (GASB Cod. sec. 2200 fn 40 and 2400 fn 7)]

Chapter 11, "The Budget," of the Audit and Accounting Guide *State and Local Governments* discusses the auditor's responsibility for and procedures on budgetary comparison information, which may differ depending on whether the information is presented as RSI or as a basic financial statement.

1. Does the entity present budgetary comparison schedules for the general fund and for each major special revenue fund that has a legally adopted annual budget? [GASB 34 par. 130, as amended by GASB 41 par. 3 (GASB Cod. sec. 2200.182 and 2400.102)]	_____	_____	_____
a. If the entity has significant budgetary perspective differences that result in its not being able to present budgetary comparisons for the general fund and each major special revenue fund, does it present budgetary comparison schedules for the activities reported in those funds based on the fund, organization, or program structure that the government uses for its legally adopted budget? [GASB 41 par. 3 (GASB Cod. sec. 2200.182 and fn 36 and 2400.102 and fn 1)]	_____	_____	_____
b. If a budget is not adopted for the general or a major special revenue fund because it is not legally required and, therefore, presentation of budgetary comparison information is not required, is that situation disclosed in the notes to RSI? [AAG-SLV 11.16 and 14.62]	_____	_____	_____
2. Does the budgetary comparison schedule present			
a. the original appropriated budgets for the reporting period?	_____	_____	_____
b. the final appropriated budgets for the reporting period?	_____	_____	_____
c. actual inflows, outflows, and balances, stated on the government's budgetary basis? [GASB 34 par. 130 (GASB Cod. sec. 2200.182 and 2400.102)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
3. Is the budgetary comparison schedule presented either using the same format, terminology, and classifications as the budget document, or using the format, terminology, and classifications in a statement of revenues, expenditures, and changes in fund balances? [GASB 34 par. 131 (GASB Cod. sec. 2200.183 and 2400.109)]	_____	_____	_____
4. Are individual fund budgetary comparisons presented at the legal level of budgetary control? (If the government presents budgetary comparisons at the legal level of control as supplementary information or in a separate budgetary report that is referred to from the notes to RSI, the presentation of required budgetary comparison information in RSI may be made at a level that aggregates budgetary accounts through revenue source and expenditure function or program.) [NCGAI 10 par. 14, as amended by GASB 34 (GASB Cod. sec. 2400.121); AAG-SLV 11.12]	_____	_____	_____
5. Is the schedule accompanied by information (either in a separate schedule or in notes to RSI) that reconciles budgetary information to GAAP information? [NCGAI 10 par. 25, as amended by GASB 34 par. 131 (GASB Cod. sec. 2200.183 and 2400.103 and .119)]	_____	_____	_____
6. Do notes to RSI disclose excesses of expenditures over appropriations in individual funds presented in the budgetary comparison? [GASB 37 par. 19 (GASB Cod. sec. 2200.183 and 2400.103)]	_____	_____	_____
7. Do notes to RSI refer to a separate budgetary report, if one is prepared? [NCGAI 10 par. 14, as amended (GASB Cod. sec. 2400.121)]	_____	_____	_____
C. Modified Approach for Eligible Infrastructure Assets			
1. Does the entity present the following schedules, derived from asset management systems, for all eligible infrastructure assets that are reported using the modified approach: ⁵¹			
a. The assessed condition, performed at least every three years, for at least the three most recent complete condition assessments, indicating the dates of the assessments?	_____	_____	_____
b. The estimated annual amount calculated at the beginning of the fiscal year to maintain and preserve at (or above) the condition level established and disclosed by the government compared with the amounts actually expensed for each of the past five reporting periods? [GASB 34 par. 132 (GASB Cod. sec. 1400.118)]	_____	_____	_____
c. If a government applies the modified approach to subsystems of infrastructure assets (rather than at the network level), is the information in these schedules by subsystem? [GASB 34 fn 57 (GASB Cod. sec. 1400 fn 14)]	_____	_____	_____
2. Do the following disclosures accompany the schedules:			

⁵¹ The three most recent complete condition assessments and the estimated and actual amounts to maintain and preserve the infrastructure assets for the previous five reporting periods may not be available initially. In these cases, the required information should be presented for as many complete condition assessments and years of estimated and actual expenses as are available (GASB 34 par. 153 [GASB Cod. sec. 1400.147]).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>a.</i> The basis for the condition measurement and the measurement scale used to assess and report condition?	_____	_____	_____
<i>b.</i> The condition level at which the government intends to preserve its eligible infrastructure assets reported using the modified approach?	_____	_____	_____
<i>c.</i> Factors that significantly affect trends in the information reported in the required schedules, including any changes in the measurement scale, the basis for the condition measurement, or the condition assessment methods used during the periods covered by the schedules?	_____	_____	_____
<i>d.</i> If there is a change in the condition level at which the government intends to preserve eligible infrastructure assets, an estimate of the effect of the change on the estimated annual amount to maintain and preserve those assets for the current period? [GASB 34 par. 133 (GASB Cod. sec. 1400.119)]	_____	_____	_____
D. Defined Benefit Pension and Other Postemployment Benefits Plans See the subsections on employee benefit pension plans and employee OPEB plans in “section VII.”			
E. Pensions and Postemployment Benefits Other Than Pensions—Employer Reporting See the subsections on pensions—employer reporting and postemployment benefits other than pensions—employer reporting in “section VII.”			
F. Public Entity Risk Pools See the subsection on public entity risk pools in “section VII.”			

FSP Section 13,200

Auditors' Reports Checklist for Audits Performed in Accordance With Generally Accepted Auditing Standards

Auditing Standards Board's Clarity Project

To address concerns over the clarity, length, and complexity of its standards, the Auditing Standards Board (ASB) has made a significant effort to clarify the Statements on Auditing Standards (SASs). The ASB established clarity drafting conventions and undertook to redraft all of its SASs in accordance with those conventions, which include the following:

- Establishing objectives for each clarified SAS
- Including a definitions section, where relevant, in each clarified SAS
- Separating requirements from application and other explanatory material
- Numbering application and other explanatory material paragraphs using an A- prefix and presenting them in a separate section that follows the requirements section
- Using formatting techniques, such as bulleted lists, to enhance readability
- Including, when appropriate, special considerations relevant to audits of smaller, less complex entities within the text of the clarified SAS
- Including, when appropriate, special considerations relevant to audits of governmental entities within the text of the clarified SAS

In addition, as the ASB redrafted standards for clarity, it also converged the standards with the International Standards on Auditing (ISAs), issued by the International Auditing and Assurance Standards Board. Among other improvements, the clarified auditing standards specify more clearly the objectives of the auditor and the requirements with which the auditor has to comply when conducting an audit in accordance with GAAS.

With the release of SAS Nos. 117–120 and SAS Nos. 122–125, the project is near completion. As of the date of this guide, the only SASs remaining to be clarified are

- SAS No. 59, *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern* (AICPA, *Professional Standards*, AU sec. 341) and
- SAS No. 65, *The Auditor's Consideration of the Internal Audit Function in an Audit of Financial Statements* (AICPA, *Professional Standards*, AU sec. 322).

Note that SAS No. 122, *Statements on Auditing Standards: Clarification and Recodification* (AICPA, *Professional Standards*), also withdraws SAS No. 26, *Association With Financial Statements*, from *Professional Standards*.

SAS Nos. 122–125 are effective for audits of financial statements for periods ending on or after December 15, 2012. Refer to individual AU-C sections in *Professional Standards* for specific effective date language. Early adoption is not permitted.

(continued)

As part of the clarity project, the resulting clarified auditing standards are numbered based on equivalent ISAs and are located in "AU-C" sections within AICPA *Professional Standards*. This is a change from the "AU" section numbers where the extant standards are located. "AU-C" is a temporary identifier being used to avoid confusion with references to existing "AU" sections, which remain effective through 2013. The "AU-C" identifier will revert to "AU" in 2014, by which time the clarified auditing standards become fully effective for all engagements. Note that AU-C section numbers for clarified SASs with no equivalent ISAs have been assigned new numbers. The ASB believes that this recodification structure will aid firms and practitioners that use both ISAs and generally accepted auditing standards (GAAS).

All auditing interpretations corresponding to a SAS have been considered in the development of a clarified SAS and incorporated accordingly, and have been withdrawn by the ASB except for certain interpretations that the ASB has retained and revised to reflect the issuance of SAS No. 122. The effective date of the revised interpretations aligns with the effective date of the corresponding clarified SAS.

This checklist will be fully conformed to the clarified auditing standards in a subsequent edition.

.01 This checklist can be used by auditors in reporting on audits of financial statements in accordance with GAAS. Illustrative auditor's reports are in chapter 14, "Audit Reporting," of the Audit and Accounting Guide *State and Local Governments*. This checklist does not address

- the requirements for reporting on audits of financial statements in accordance with *Government Auditing Standards* (also referred to as the Yellow Book), issued by the Comptroller General of the United States, or on audits performed under the Single Audit Act Amendments of 1996 in accordance with Office of Management and Budget (OMB) Circular A-133 (see the checklist for reporting on those audits at section 13,300).
- restricted-use reports (see AU section 532, *Restricting the Use of an Auditor's Report* [AICPA, *Professional Standards*]).
- auditor's reports on special-purpose regulatory presentations (see AU section 623, *Special Reports* [AICPA, *Professional Standards*], and paragraph 14.79 in Audit and Accounting Guide *State and Local Governments*).
- auditor's reports on summary financial information—*popular reports* (see paragraphs 14.80–.87 in Audit and Accounting Guide *State and Local Governments* and example A-17 in appendix A [paragraph 14.88] of chapter 14).
- auditor's reports on financial statements prepared in conformity with a comprehensive basis of accounting other than generally accepted accounting principles (GAAP), known as other comprehensive basis of accounting financial statements (see chapter 15, "Comprehensive Bases of Accounting Other Than Generally Accepted Accounting Principles," in Audit and Accounting Guide *State and Local Governments* and the AICPA Practice Aid *Applying OCBOA in State and Local Governmental Financial Statements* [product no. 006614]).

.02 Explanation of References:

AAG-SLV = AICPA Audit and Accounting Guide *State and Local Governments* (as of March 1, 2012)

AU = Reference to section number in AICPA *Professional Standards*

AU-C = Reference to clarified section number in AICPA *Professional Standards*

.03 Checklist Questionnaire:

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
Basic Financial Statements			
Practice Tip			
<p>The auditor's report on governmental financial statements generally is based on <i>opinion units</i>. Normally, the opinion units in a government's basic financial statements are (as applicable) the governmental activities; the business-type activities; the aggregate discretely presented component units; each major governmental and enterprise fund; and the aggregate remaining fund information (nonmajor governmental and enterprise funds, the internal service fund type, and the fiduciary fund types). In certain circumstances, auditors may choose to combine the two aggregate opinion units—the one for the aggregate discretely presented component units and the one for the aggregate remaining fund information—into a single opinion unit. The resulting combined unit is referred to as the <i>aggregate discretely presented component unit and remaining fund information</i> opinion unit. The AICPA's fourth standard of reporting requires that the auditor's report contain either an expression of opinion regarding the financial statements, taken as a whole, or an assertion to the effect that an opinion cannot be expressed. In reporting on a government's basic financial statements, this fourth standard generally is applied by expressing opinions on the financial statements for each opinion unit required to be presented in those financial statements, or asserting that an opinion on one or more opinion units cannot be expressed. The auditor may express an unqualified opinion on the financial statements of one or more opinion units and modified opinions or disclaimers of opinion on one or more of the other opinion units. Further, the auditor's evaluation of the results of audit procedures that would lead to an opinion modification on one opinion unit may or may not result in an opinion modification on another opinion unit.</p> <p>[AAG-SLV 14.04–.08]</p>			
1. If the titles of the financial statements are referred to in the introductory paragraph of the auditor's report, do those titles match the titles of the financial statements presented? [Generally Accepted]	_____	_____	_____
2. Do the dates of the financial statements referred to in the introductory paragraph of the report match the dates of the financial statements presented? [Generally Accepted]	_____	_____	_____
3. Does the auditor's report			
a. identify in the introductory paragraph each financial statement audited, which may involve reference to the table of contents or to the pages of the financial report on which the financial statements are displayed? [AU 508.06; AAG-SLV 14.13]	_____	_____	_____
b. identify in the introductory paragraph each opinion unit covered by the report? [AAG-SLV 14.13]	_____	_____	_____
c. refer in the introductory and opinion paragraphs to the government's major funds individually or, alternatively, refer to them in a general manner if the financial statements clearly identify which governmental and enterprise funds are major? [AAG-SLV 14.15]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
4. Does the report express or disclaim opinions on each opinion unit or, if the entity has a single opinion unit, on the financial statements taken as a whole? (See also question 16.) [AU 508.04; AAG-SLV 14.04, .09, .16, fn 7, examples A-1–A-3 in app. A (14.88), and app. D]	_____	_____	_____
a. If prior-period financial statements include the minimum information required by GAAP for a complete set of financial statements and we audited those financial statements, have we updated the report on those prior-period financial statements? (See also question 8d.) [AU 508.65; AAG-SLV 14.35]	_____	_____	_____
5. If the terms of the engagement cause us to set the scope of the audit and assess materiality at a more-detailed level than by the opinion units required for the basic financial statements (for example, at an individual fund or fund type level), does the report reflect both the standard opinion units for the basic financial statements and the additional opinion units resulting from the more-detailed audit scope? [AAG-SLV 14.11 and .47]	_____	_____	_____
a. If the financial statements that are subject to the more-detailed audit scope are reported separately in the government's basic financial statements, does the report on that more-detailed audit scope refer to the presentation of the subject financial statements in the basic financial statements? [AAG-SLV 14.48 and example A-13 in app. A (14.88)]	_____	_____	_____
b. If the financial statements that are subject to the more-detailed audit scope are not reported separately in the basic financial statements, does the report on that more-detailed audit scope refer to the presentation of the subject financial statements outside of the basic financial statements as supplementary information (SI), which is supplementary information other than required supplementary information (RSI)? [AAG-SLV 14.49 and example A-14 in app. A (14.88)]	_____	_____	_____

Practice Tip

The Public Company Accounting Oversight Board (PCAOB) establishes standards for audits of *issuers*, as that term is defined by the Sarbanes-Oxley Act of 2002 (the act) or whose audit is prescribed by the rules of the Securities and Exchange Commission. Other entities, including state and local governments, are referred to as *nonissuers*. Interpretation No. 17, "Clarification in the Audit Report of the Extent of Testing of Internal Control Over Financial Reporting in Accordance With Generally Accepted Auditing Standards," of AU section 508, *Reports on Audited Financial Statements* (AU sec. 9508 par. .85–.88), provides language that may be added to the auditor's standard report on the financial statements of a nonissuer to clarify differences between a GAAS audit and an audit conducted in accordance with the standards of the PCAOB. (See also the discussion about that interpretation and that language in AAG-SLV, paragraph A-3, example A-1, and footnote 2 of appendix A [paragraph 14.88].) Interpretation No. 18, "Reference to PCAOB Standards in an Audit Report on a Nonissuer," of AU section 508 (AU sec. 9508 par. .89–.92) explains how the auditor should report if engaged to also follow PCAOB auditing standards in the audit of a nonissuer.

6. Does the auditor's report include			
a. the appropriate addressee? [AU 508.09]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. a title that includes the word <i>independent</i> ? ¹ [AU 508.08a]	_____	_____	_____
c. a statement that the financial statements identified in the report were audited? [AU 508.08b]	_____	_____	_____
d. a statement that the financial statements are the responsibility of management and that the auditor's responsibility is to express opinion(s) on the financial statements based on his or her audit? [AU 508.08c; AAG-SLV 14.14]	_____	_____	_____
e. a statement that the audit was conducted in accordance with GAAS and an identification of the United States of America as the country of origin of those standards? [AU 508.08d]	_____	_____	_____
f. a statement that those standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement? [AU 508.08e]	_____	_____	_____
g. a statement that an audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation? [AU 508.08f]	_____	_____	_____
h. a statement that the auditor believes that his or her audit provides a reasonable basis for his or her opinion(s)? [AU 508.08g]	_____	_____	_____
i. an opinion as to whether the financial statements present fairly, in all material respects, the financial position as of the financial position statement date and the changes in financial position and, where applicable, cash flows ² for the period then ended of each opinion unit in the entity's financial statements in conformity with GAAP, with an identification of the United States of America as the country of origin of those accounting principles? [AU 508.08h; AAG-SLV 14.12]	_____	_____	_____
j. the manual or printed signature of the auditor's firm? ³ [AU 508.08i]	_____	_____	_____
k. the date (or dual dates) of the auditor's report? [AU 530.03-.05; AU 508.08j and .28]	_____	_____	_____

¹ If the auditor is not independent, see paragraph .09 of AU section 504, *Association With Financial Statements* (AICPA, *Professional Standards*).

² If a government presents required budgetary comparison information as basic financial statements instead of as required supplementary information, the opinion paragraph(s) should refer to that budgetary comparison information. Explanatory paragraphs, if any, also may need to refer to that budgetary comparison information (AAG-SLV paragraph 14.14 and appendix A [paragraph 14.88] to chapter 14, paragraph A.1 and examples A-1 footnote 7, A-5 footnote 21, A-15 footnote 55, and A-16 footnote 57).

³ When the auditor performs an audit with another auditor on a subcontract, joint audit, or joint venture basis, considerations should be given to how the report is signed (AAG-SLV paragraphs 14.29-.31).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
7. If the opinion(s) is based in part on the report of another auditor and the principal auditor decides not to assume responsibility for the work of the other auditor			
a. do the introductory and scope paragraphs disclose this fact?	_____	_____	_____
i. Does the reference in the introductory paragraph indicate the division of responsibility for the performance of the audit?	_____	_____	_____
b. does the opinion paragraph(s) include a reference to the report of the other auditor? [AU 543.03 and .07; AU 508.11a and .12–.13; AAG-SLV 14.26–.28, 14.72, and example A-9 in app. A (14.88)]	_____	_____	_____
8. Certain circumstances, although not affecting the auditor's unqualified opinion, may require that the auditor add explanatory language to the standard report. Is explanatory language added to the report if			
a. to prevent the financial statements from being misleading because of unusual circumstances, the financial statements contain a departure from an accounting principle promulgated by a body designated by the AICPA Council to establish such principles? [AU 508.11b and .14–.15]	_____	_____	_____
b. there is substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time? ⁴ [AU 508.11c; AU 341.12–.13]	_____	_____	_____
c. there is a material change between periods in accounting principles or in the method of their application, including a component unit's change in accounting principles? ^{5, 6, 7} [AU 508.11d and .16–.18; AAG-SLV 14.32 and .46]	_____	_____	_____
d. in an updated report on comparative financial statements, the opinion on the prior period is different from the one previously expressed? [AU 508.11e and .68–.69]	_____	_____	_____
e. the financial statements of a prior period (presented for comparative purposes) have been audited by a predecessor auditor whose report is not presented? [AU 508.11e and .74]	_____	_____	_____

⁴ If the auditor concludes that the entity's disclosures with respect to its ability to continue as a going concern for a reasonable period of time are inadequate, this represents a departure from generally accepted accounting principles (GAAP) that may result in either a qualified or an adverse opinion. Reporting guidance for such situations is provided in AU section 508, *Reports on Audited Financial Statements* (AICPA, *Professional Standards*) (see paragraph .14 of AU section 341, *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern* [AICPA, *Professional Standards*]).

⁵ The auditor should express a qualified or an adverse opinion on the financial statements of the affected opinion unit(s) (a) if a newly adopted accounting principle is not a GAAP, (b) the method of accounting for the effect of the change is not in conformity with GAAP, or (c) management has not provided reasonable justification for the change in accounting principle (paragraphs .50–.57 of AU section 508).

⁶ The standards for selecting major funds could result in different funds being reported as major each year. Such changes should not be considered a change in accounting principles affecting consistency, and thus no modification to the auditor's report is needed (AAG-SLV paragraph 14.39).

⁷ The adoption of certain Governmental Accounting Standards Board standards constitute changes in accounting principles that, unless immaterial, should be referred to in an explanatory paragraph regarding consistency in the auditor's report (AAG-SLV paragraph 14.17 footnote 10).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
f. a matter regarding the financial statements needs to be emphasized? [AU 508.11 and .19; Interpretation 3 of AU 410 (AU 9410.18); Interpretation 1 of AU 342 (AU 9342.03)]	_____	_____	_____
g. the auditor uses the work of a specialist in performing the audit and decides to add an explanatory paragraph? [AU 336.15–.16]	_____	_____	_____
9. If prior-period financial information presented with the current-period financial statements is a partial or summarized presentation			
a. does the continuing auditor's report not mention the prior-period information in the description of the financial statements audited or in the opinion paragraph(s)?	_____	_____	_____
b. does the auditor's report include an explanatory paragraph following the opinion paragraph(s) if note disclosure about the nature of the information presented is omitted or incomplete?	_____	_____	_____
c. does the continuing auditor's report make clear the degree of responsibility that he or she is assuming in relation to the prior-period information by stating in the introductory paragraph that the partial or summarized information has been derived from a complete set of financial statements; the date of the auditor's report on the complete financial statements; and the type of opinions expressed?	_____	_____	_____
d. if prior-period partial or summarized information has been derived from financial statements that were audited by another auditor, does the report state that fact and not express an opinion on that information? [AAG-SLV 14.37–.38, and fn 15, fn 16, and fn 17]	_____	_____	_____

Practice Tip

Scope limitations are restrictions on the scope of the audit, whether imposed by the client or by circumstances, such as the timing of the auditor's work, the inability to obtain sufficient competent evidential matter, or an inadequacy in the accounting records. Scope limitations include situations in which 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. Scope limitations should be differentiated from situations in which the auditor concludes that the financial statements are materially misstated due to departures from GAAP.

[AU 508.22 and .31–.32; AAG-SLV 14.18]

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? [AU 508.22–.32 and .61–.63]	_____	_____	_____
11. If a qualified opinion is expressed because of a scope limitation			
a. are all of the substantive reasons for the qualification disclosed in one or more explanatory paragraphs preceding the opinion paragraph(s)?	_____	_____	_____
b. is the situation described and referred to in both the scope and opinion paragraphs?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. does the qualified opinion include the word <i>except</i> or <i>exception</i> in a phrase such as <i>except for</i> or <i>with the exception of</i> ?	_____	_____	_____
d. does the wording in the opinion paragraph indicate that the qualification pertains to the possible effects on the financial statements of the affected opinion unit(s) and not to the scope limitation itself? (That is, the qualification should indicate that the auditor is unable to reach a conclusion on one or more matters material to the financial statements of the affected opinion unit(s), rather than that the auditor's procedures were restricted.) [AU 508.21 and .25–.26; AAG-SLV 14.19 and example A-4 in app. A (14.88)]	_____	_____	_____
12. If an opinion is disclaimed because of a scope limitation			
a. is the introductory paragraph modified to state that “we were engaged to audit” rather than “we have audited” the affected opinion unit(s) and to indicate, in the last sentence, the extent of the auditor's responsibility to express opinions on the financial statements? [AU 508 fn 21 and AAG-SLV 14.04]	_____	_____	_____
b. are all of the substantive reasons for the disclaimer stated in a separate paragraph(s)?	_____	_____	_____
c. does the report state that the scope of the audit was not sufficient to warrant the expression of an opinion?	_____	_____	_____
d. does the report avoid identifying procedures that were performed?	_____	_____	_____
e. is the scope paragraph omitted if the disclaimer is on the financial statements taken as a whole? (See question 16.)	_____	_____	_____
f. does the report describe the auditor's reservations about fair presentation in conformity with GAAP? [AU 508.61–.63 ; AAG-SLV 14.20 and fn 10, 14.21, and example A-4 in app. A (14.88)]	_____	_____	_____

Practice Tip

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 qualified or adverse opinions. See also chapter 14 of AAG-SLV, especially paragraph 14.22, for descriptions of GAAP departures in governmental financial statements.

13. Is a qualified or an adverse opinion considered in the following circumstances:			
a. The financial statements contain a material departure from GAAP, including inadequate disclosure, omission of RSI, inappropriate accounting principles, or unreasonable accounting estimates? [AU 508.35–.60; AAG-SLV 14.22]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
i. If the fund financial statements do not report one or more governmental or enterprise funds as major in conformity with the quantitative criteria of GASB Statement No. 34, <i>Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments</i> , does the report express adverse opinions on the "missing" major fund opinion units because of the omitted display and modify the opinion on the aggregate remaining fund information opinion unit if the missing major fund is contained therein? [AAG-SLV 14.40 and example A-10 in app. A (14.88)]	_____	_____	_____
b. Essential data concerning an impending change in GAAP and the future resulting restatement are not disclosed? [Interpretation 3 of AU 410 (AU 9410.15)]	_____	_____	_____
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? [AU 317.18]	_____	_____	_____
14. If a qualified opinion is expressed because of a GAAP departure			
a. are all of the substantive reasons for the qualified opinion disclosed in one or more separate explanatory paragraphs preceding the opinion paragraph(s)?	_____	_____	_____
b. does the explanatory paragraph disclose the principle effects of the departure on financial position, results of operations, and, where applicable, cash flows, ⁸ if practicable, or state that the effects are not reasonably determinable, if not practicable to do so?	_____	_____	_____
c. does the qualified opinion include the word <i>except</i> or <i>exception</i> in a phrase such as <i>except for</i> or <i>with the exception of</i> and a reference to the explanatory paragraph? [AU 508.21, .35–.44, and .52; AAG-SLV 14.23 and A.1 in app. A (14.88)]	_____	_____	_____
15. If an adverse opinion is expressed because of a GAAP departure			
a. are all of the substantive reasons for the adverse opinion disclosed in one or more separate explanatory paragraphs preceding the opinion paragraph(s)?	_____	_____	_____
b. does the explanatory paragraph disclose the principle effects of the departure on financial position, results of operations, and, where applicable, cash flows, ⁹ if practicable, or state that the effects are not reasonably determinable, if not practicable to do so?	_____	_____	_____
c. state that the financial statements do not present fairly the financial position, changes in financial position, or, where applicable, cash flows ¹⁰ in conformity with GAAP? [AU 508.58–.60; AAG-SLV 14.24–.25 and examples A-6–A-7, A-10 and A-12 in app. A (14.88)]	_____	_____	_____

⁸ See footnote 2.⁹ See footnote 2.¹⁰ See footnote 2.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
16. Does the report render an adverse opinion or a disclaimer of opinion on the financial statements taken as a whole when			
a. the required government-wide or fund financial statements are not presented?	_____	_____	_____
b. adverse opinions or disclaimers of opinion are appropriate for both the governmental activities and business-type activities opinion units (or for only the governmental activities opinion unit if that is the only required presentation for the primary government in the reporting entity's government-wide financial statements)?	_____	_____	_____
c. in the auditor's judgment, the financial statements, taken as a whole, are not presented fairly in conformity with GAAP or it is appropriate to disclaim an opinion on the financial statements taken as a whole? [AAG-SLV 14.10, .21, .25, and example A-8 in app. A (14.88)]	_____	_____	_____

Practice Tip

Consult the AU Topical Index to the AICPA *Professional Standards*, under "Departures From Standard Report," for additional references to specific auditor's report modifications.

Financial Statements That Include Only Part of the Reporting Entity

17. If the government also has issued audited financial statements for the reporting entity, does the auditor's report on separate primary government financial statements			
a. indicate that the financial statements are those of the primary government and not of the financial reporting entity?	_____	_____	_____
b. define the term <i>primary government</i> ?	_____	_____	_____
c. indicate that the primary government's financial statements do not purport to, and do not, fairly present financial position, changes in financial position, or, where applicable, cash flows ¹¹ of the financial reporting entity in conformity with GAAP?	_____	_____	_____
d. indicate that the entity has issued separate audited reporting entity financial statements?	_____	_____	_____
e. give opinions or disclaimers of opinion on the opinion units in the primary government's financial statements? [AAG-SLV 14.42 and example A-11 in app. A (14.88)]	_____	_____	_____
18. If the government has not also issued audited financial statements for the reporting entity, does the auditor's report on separate primary government financial statements express opinions on the opinion units that are presented and express an adverse opinion or disclaimer of opinion on the missing aggregate discretely presented component unit opinion unit? (If the reporting entity financial statements would have included blended component units, the auditor should consider expressing a modified opinion on the opinion units that would have presented those blended component units.) [AAG-SLV 14.43, fn 18, and example A-12 in app. A (14.88)]	_____	_____	_____

¹¹ See footnote 2.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
19. If the financial statements omit the financial information of one or more (but not all) component units, is the effect of the GAAP departure on the auditor's report considered in relation to the relevant opinion unit(s)? [AAG-SLV 14.44]	_____	_____	_____
20. Does the auditors' report disclose that the entity is a component unit of a financial reporting entity, if applicable? [AAG-SLV 14.45 and example A-2 in app. A (14.88)]	_____	_____	_____
Other Financial Statement Presentations			
21. Does the auditor's report on GAAP-basis financial statements for one or more individual funds			
a. report on the audit based on each fund as a separate opinion unit?	_____	_____	_____
b. indicate in the introductory and opinion paragraphs the specific fund(s)?	_____	_____	_____
c. include an explanatory paragraph after the scope paragraph indicating that the financial statements do not purport to, and do not, present the government's financial position, changes in financial position, or, where applicable, cash flows? ¹²	_____	_____	_____
d. consider whether the financial statements include all relevant GAAP financial statements, note disclosures, management's discussion and analysis (MD&A) topics, and other RSI?	_____	_____	_____
e. consider the extent to which the financial statement presentation may be misleading to financial statement users who might misunderstand that the financial statements are meant to represent the overall government? (For example, if a government presents a complete set of fund financial statements, that results in a misleading presentation and should result in the auditor expressing an adverse opinion on the financial statements taken as a whole. See question 16.) [AAG-SLV 14.65–.68 and example A-15 in app. A (14.88)]	_____	_____	_____
22. Does the auditor's report on GAAP-basis financial statements for governmental departments, agencies, or programs ¹³			
a. report on the audit based on the involved opinion units?	_____	_____	_____
b. include an explanatory paragraph after the scope paragraph indicating that the financial statements do not purport to, and do not, present the government's financial position, changes in financial position, or, where applicable, cash flows? ¹⁴	_____	_____	_____
c. consider whether the financial statements include all relevant GAAP financial statements, note disclosures, MD&A topics, and other RSI? [AAG-SLV 14.69 and example A-16 in app. A (14.88)]	_____	_____	_____

¹² See footnote 2.

¹³ When an organizational unit is coterminous with a single fund, it is appropriate for the government to issue a fund financial statement, rather than a departmental financial statement (AAG-SLV paragraph 14.78 footnote 26).

¹⁴ See footnote 2.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
Required Supplementary Information, Supplementary Information, and Other Information			
Practice Tip			
The Audit and Accounting Guide <i>State and Local Governments</i> includes flowcharts that summarize auditor procedures and reporting on RSI, SI, and other information (OI).			
23. For RSI			
a. does the report include an explanatory paragraph following the opinion paragraph that refers to the RSI? [AU 558.07]	_____	_____	_____
b. does the report include language to explain the following circumstances as applicable:			
i. The RSI is included, and the procedures in paragraph .05 of AU section 558 have been applied?	_____	_____	_____
ii. The RSI is omitted?	_____	_____	_____
iii. Some RSI is missing and some is presented in accordance with the prescribed guidelines?	_____	_____	_____
iv. Material departures from the prescribed guidelines have been identified by the auditor?	_____	_____	_____
v. Auditor is unable to complete the procedures in paragraph .05 of AU section 558?	_____	_____	_____
vi. Auditor has unresolved doubts about whether the RSI is presented in accordance with prescribed guidelines? [AU 558.07]	_____	_____	_____
c. if the entity presented all or some of the RSI does the explanatory paragraph include the following as applicable:			
i. A statement that [<i>accounting principles generally accepted in the United States of America</i>] require that the [<i>identify the RSI</i>] be presented to supplement the basic financial statements?	_____	_____	_____
ii. A statement that such information, although not a part of the basic financial statements, is required by the [<i>GASB</i>], who considers it to be an essential party of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context?	_____	_____	_____
iii. If the auditor is able to complete the procedures in paragraph .05 of AU section 558?	_____	_____	_____
iv. A statement that the auditor applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to the auditor's inquiries, the basic financial statements, and other knowledge the auditor obtained during the audit of the basic financial statements?	_____	_____	_____

		<u>Yes</u>	<u>No</u>	<u>N/A</u>
v.	A statement that the auditor does not express an opinion or provide any assurance on the information because the limited procedures do not provide the auditor with sufficient evidence to express an opinion or provide any assurance? [AU 558.08(a)–(b)]	_____	_____	_____
d.	if the auditor is unable to complete the procedures in paragraph .05 of AU section 558 does the explanatory paragraph include all of the following as applicable:			
i.	A statement that the auditor was unable to apply certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States because <i>[state reasons]</i> ?	_____	_____	_____
ii.	A statement that the auditor does not express an opinion or provide any assurance on the information? [AU 558.08(c)–(d)]	_____	_____	_____
e.	if some of the RSI is omitted does the explanatory paragraph include all of the following as applicable:			
i.	A statement that management has omitted <i>[description of the missing RSI]</i> that <i>[accounting principles generally accepted in the United States of America]</i> require to be presented to supplement the basic financial statements?	_____	_____	_____
ii.	A statement that such missing information, although not a part of the basic financial statements, is required by <i>[GASB]</i> who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context?	_____	_____	_____
iii.	A statement that the auditor's opinion on the basic financial statements is not affected by the missing information? [AU 558.08(e)]	_____	_____	_____
f.	if the measurement or presentation of RSI departs materially from the prescribed guidelines, does the explanatory paragraph include a statement that although the auditor's opinion on the basic financial statements is not affected, material departures from prescribed guidelines exist <i>[describe the material departures from the applicable financial reporting framework]</i> ? [AU 558.08(f)]	_____	_____	_____
g.	if the auditor has unresolved doubts about whether the RSI is measured or presented in accordance with prescribed guidelines, does the explanatory paragraph include a statement that although the auditor's opinion on the basic financial statements is not affected, the results of the limited procedures have raised doubts about whether material modification should be made to the RSI for it to be presented in accordance with guidelines established by <i>[GASB]</i> ? [AU 558.08(g)]	_____	_____	_____
h.	if all of the RSI is omitted does the explanatory paragraph include all of the following as applicable:			

		<u>Yes</u>	<u>No</u>	<u>N/A</u>
	i. A statement that management has omitted [<i>description of the missing RSI</i>] that [<i>accounting principles generally accepted in the United States of America</i>] require to be presented to supplement the basic financial statements?	_____	_____	_____
	ii. A statement that such missing information, although not a part of the basic financial statements, is required by [<i>GASB</i>] who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context?	_____	_____	_____
	iii. A statement that the auditor's opinion on the basic financial statements is not affected by the missing information? [AU 558.09] [AAG-SLV 14.53-.60]	_____	_____	_____
24.	For SI			
	a. did terms of the engagement require the auditor to report on whether SI is fairly stated, in all material respects, in relation to the financial statements as a whole? ¹⁵ [AU 551.01]	_____	_____	_____
	b. if the entity presented SI with the financial statements did the auditor report on the SI in either (i) an explanatory paragraph following the opinion paragraph in the auditor's report on the financial statements or (ii) in a separate report on the SI? [AU 551.09]	_____	_____	_____
	c. does the explanatory paragraph on SI or the separate report include the following as applicable:			
	i. A statement that the auditor was conducted for the purpose of forming an opinion on the financial statements as a whole?	_____	_____	_____
	ii. A statement that the SI is presented for purposes of additional analysis and is not a required part of the financial statements?	_____	_____	_____
	iii. A statement that the SI is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements?	_____	_____	_____
	iv. A statement that the SI has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America?	_____	_____	_____

¹⁵ If the auditor is not engaged to report on whether supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole, the provisions of AU section 551, *Supplementary Information in Relation to the Financial Statements as a Whole* (AICPA, *Professional Standards*), do not apply and the auditor is required to apply the provisions of AU section 550, *Other Information in Documents Containing Audited Financial Statements* (AICPA, *Professional Standards*).

		<u>Yes</u>	<u>No</u>	<u>N/A</u>
	v. A statement that, in the auditor's opinion, the SI is fairly stated, in all material respects, in relation to the financial statements as a whole (when an unqualified opinion has been issued on the financial statements and the auditor has concluded the SI is fairly stated, in all material respects, in relation to the financial statements as a whole)?	_____	_____	_____
	vi. A statement that, in the auditor's opinion, except for the effects on the SI of [<i>refer to the paragraph in the auditor's report explaining the qualification on the financial statements</i>], such information is fairly stated, in all material respects, in relation to the financial statements as a whole (when a qualified opinion has been issued on the financial statements and the qualification has an effect on the SI)? [AU 551.09(a)–(f)]	_____	_____	_____
d.	if a separate report on SI is issued, does it include a reference to the report on the financial statements, the date of that report, the nature of the opinion expressed on the financial statements, and any report modifications? [AU 551.10]	_____	_____	_____
e.	if the auditor's report on the audited financial statements contained an adverse opinion or disclaimer of opinion, did the auditor refrain from expressing an opinion on the SI?	_____	_____	_____
	i. If the auditor was unable to withdraw from the engagement to report on the SI, did the report on the SI state that because of the significance of the matter disclosed in the auditor's report, it is inappropriate to, and the auditor does not, express an opinion on the SI? [AU 551.11]	_____	_____	_____
f.	is the date of the auditor's report on SI in relation to the financial statements as a whole dated no earlier than the date on which the auditor completed the procedures in paragraph .07 of AU section 551? [AU 551.12]	_____	_____	_____
g.	if the auditor concluded, on the basis of the procedures performed, that the SI is materially misstated in relation to the financial statements as a whole, did the auditor discuss the matter with management and propose appropriate revision of the SI?	_____	_____	_____
	i. If management did not revise the SI, did the auditor either (1) modify the auditor's opinion on the SI and describe the misstatement in the auditor's report or (2) withhold the auditor's separate report on the SI (when a separate report is issued on SI)? [AU 551.13] [AAG-SLV 14.61–.66]	_____	_____	_____
25.	Did the auditor elect to include an explanatory paragraph in the auditor's report on the financial statements disclaiming an opinion on the OI? [AU 550.A2]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
26. Did the auditor communicate to those charged with governance any material inconsistencies identified by the auditor prior to the report release date that required revision of the OI for which management refused to make the revision?			
a. Did the auditor include an explanatory paragraph describing the material inconsistency in accordance with AU section 508?	_____	_____	_____
b. Did the auditor withhold the auditor's report?	_____	_____	_____
c. Did the auditor withdraw from the engagement if possible under applicable law or regulation? [AU 550.11] [AAG-SLV 14.67-.71]	_____	_____	_____
27. Did the auditor apply the relevant requirements of AU section 561, <i>Subsequent Discover of Facts Existing at the Date of the Auditor's Report</i> , if revision of the audited financial statements was necessary as a result of a material inconsistency with OI when the auditor's report on the financial statements had already been released?	_____	_____	_____
a. If management agreed to make the revision, did the auditor carry out the procedures necessary in the circumstances as discussed in paragraph .A9 of AU section 550? [AU 550.13]	_____	_____	_____
b. If management refused to make the revision, did the auditor notify those charged with governance of the auditor's concerns regarding the OI and take any further appropriate action? [AU 550.14]	_____	_____	_____
28. Did the auditor discuss any apparent material misstatements of fact (noted when reading the OI for purposes of identifying material inconsistencies) with management? [AU 550.15]	_____	_____	_____
a. After discussions with management, did the auditor request management to consult with a qualified third party when the auditor still considered there were apparent material misstatements of fact? [AU 550.16]	_____	_____	_____
b. If management refused to correct a material misstatement of fact in the OI, did the auditor notify those charged with governance of the auditor's concerns regarding the OI and take any further appropriate action? [AU 550.17]	_____	_____	_____
29. If the auditor is relying on another auditor's work on RSI or SI, is the report modified to refer to the work of the other auditor? [AAG-SLV 14.72 and example A-9 in app. A (14.88)]	_____	_____	_____

Other Auditor Communications

30. Has the auditor communicated, in writing to management and those charged with governance within 60 days following release of the auditor's report on the financial statements, internal control deficiencies identified in the audit that are considered to be significant deficiencies and material weaknesses, including those communicated in prior audits and have not yet been remediated? The communication should include

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. a statement that the purpose of the auditor's consideration of internal control was to express an opinion on the financial statements, but not to express an opinion on the effectiveness of the entity's internal control over financial reporting.	_____	_____	_____
b. a statement that the auditor is not expressing an opinion on the effectiveness of internal control.	_____	_____	_____
c. a statement that indicates the auditor's consideration of internal control was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.	_____	_____	_____
d. a definition of the term <i>material weakness</i> and, where relevant, the definition of the term <i>significant deficiency</i> .	_____	_____	_____
e. identification of the matters that are considered to be significant deficiencies, and if applicable, those that are considered to be material weaknesses.	_____	_____	_____
f. a statement that the communication is intended solely for the information and use of management, those charged with governance, and others within the organization, and that the communication is not intended to be and should not be used by anyone other than these specific parties.	_____	_____	_____
g. if an entity is required to furnish such auditor communications to a governmental authority, specific reference to such governmental authorities may be made. [AU 325.17–.26; AAG-SLV 4.99–.100 and 13.38–.39]	_____	_____	_____

Practice Tips

AU section 325, *Communicating Internal Control Related Matters Identified in an Audit* (AICPA, *Professional Standards*), further clarifies standards and provides guidance on communicating matters related to an entity's internal control over financial reporting (internal control) identified in an audit of financial statements. It is applicable whenever an auditor expresses an opinion on financial statements (including a disclaimer of opinion).

In general, AU section 325 provides guidance to (a) enhance the auditor's ability to identify and evaluate deficiencies in internal control during an audit, and then (b) communicates to management and those charged with governance those deficiencies or material weaknesses. Under AU section 325, the auditor applies the criteria of magnitude and likelihood (reasonable possibility) when classifying control deficiencies as deficiencies, significant deficiencies, or material weaknesses.

31. Does the auditor follow the reporting requirements of AU section 380, *The Auditor's Communication With Those Charged With Governance*, when communicating the following to management and those charged with governance?
- The auditor's responsibilities under generally accepted auditing standards, and where applicable *Government Auditing Standards* and OMB Circular A-133 (see section 13,300)
 - An overview of the planned scope and timing of the audit
 - Significant findings from the audit
- [AU 380.23–.47]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
32. If the auditor has determined that there is evidence that fraud may exist, has the auditor complied with the reporting requirements of AU section 316, <i>Consideration of Fraud in a Financial Statement Audit</i> , paragraphs .79–.82? [AU 316.79–.82]	_____	_____	_____
33. Has the auditor adequately informed those charged with governance with respect to illegal acts that come to the auditor’s attention? [AU 317.17]	_____	_____	_____
34. If during a GAAS audit of the financial statements the auditor becomes aware that the entity is subject to an audit requirement that may not be encompassed in the terms of the engagement, has the auditor communicated to management and the audit committee, or to others with equivalent authority and responsibility, that an audit in accordance with GAAS may not satisfy the relevant legal, regulatory, or contractual requirements?	_____	_____	_____
a. Did the auditor consider how the client’s actions in response to such communication relate to other aspects of the audit, including the potential effect on the financial statements and on the auditor’s report on those financial statements? [AAG-SLV 1.13]	_____	_____	_____

FSP Section 13,300

Auditors' Reports Checklist for Audits Performed in Accordance With Government Auditing Standards and OMB Circular A-133

.01 *Government Auditing Standards* (GAS or the Yellow Book), issued by the Comptroller General of the United States of the U.S. Government Accountability Office (GAO), applies to the audits of governmental entities, programs, activities, and functions, and of governmental assistance administered by contractors, not-for-profit entities, and other nongovernmental entities, when required by statute or other mandates or when auditors hold themselves out as following those standards.¹ The Single Audit Act Amendments of 1996 (the Single Audit Act) and Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (Circular A-133), require a single or program-specific audit for entities that expend \$500,000 or more of federal awards in a fiscal year. The Single Audit Act requires single audits and program-specific audits of federal awards to be performed in accordance with GAS. Similarly, GAS requires the use of its standards when auditing compliance with regulations relating to federal award expenditures and other governmental financial assistance in conjunction with or as a byproduct of a financial statement audit.

Practice Tips

It is important for recipients of funds under the American Recovery and Reinvestment Act of 2009 and their auditors to keep up to date on the issues, requirements, and guidance related to Recovery Act funding. The OMB is issuing guidance related to the Recovery Act on an ongoing basis; however, much of this information has been incorporated into the *OMB Circular A-133 Compliance Supplement* (available on the OMB website at www.whitehouse.gov/omb/grants_circulars).

Additionally, the AICPA Government Audit Quality Center (GAQC) Recovery Act Resource Center (www.aicpa.org/INTERESTAREAS/GOVERNMENTALAUDITQUALITY/RESOURCES/RECOVERYACTRESOURCECENTER/Pages/default.aspx) is open to the public and provides access to a number of GAQC resources as well as links to other websites of interest to auditors.

(continued)

¹ As discussed in paragraph 4.26 of the February 1, 2012, edition of the AICPA Audit Guide *Government Auditing Standards and Circular A-133 Audits* (the guide), paragraph 5.06 of *Government Auditing Standards* (GAS) acknowledges that an auditee may need a financial statement audit for purposes other than to comply with a requirement calling for an audit in accordance with GAS. For example, the auditee may need a financial statement audit to issue bonds. In that case, GAS permits auditors to issue a separate report on the financial statements conforming only to the requirements of generally accepted auditing standards (GAAS). The AICPA Audit and Accounting Guide *State and Local Governments* discusses auditor association with municipal securities filings and the use of GAS reports and references in the official statement. That guide states that the official statement should not include the reports required by GAS and that guide states that it generally is advisable for the official statements to use an auditor's report on the financial statements that does not refer to the GAS audit or to those reports. The information contained in this checklist is based on the 2007 revision of GAS, which is effective for audits of periods beginning on or after January 1, 2008.

Detailed Recovery Act guidance has not been incorporated into this edition of the checklist. However, the 2011 edition of the AICPA Audit Guide Government Auditing Standards and *Circular A-133 Audits* includes a section at the end of each chapter in part II, "Circular A-133 Audits," titled "American Recovery and Reinvestment Act Considerations" that highlights areas of consideration related to Recovery Act awards in a compliance audit.

.02 This checklist has two parts: part I is for auditor's reports on financial statement audits performed in accordance with GAS. (This checklist does not address the performance auditing or attestation standards of GAS. It also does not address types of financial audits other than financial statement audits, except for Circular A-133 audits.) Part II contains the additional requirements for auditor's reports on audits performed in accordance with the Single Audit Act and Circular A-133.² For audits performed in accordance with Circular A-133, both parts I and II of this checklist should be completed. Illustrative auditor's reports on financial statement audits performed in accordance with GAS and illustrative auditor's reports and an illustrative schedule of findings and questioned costs for Circular A-133 audits are in the AICPA Audit Guide Government Auditing Standards and *Circular A-133 Audits*.

.03 The OMB issues an annual *Circular A-133 Compliance Supplement* for conducting single audits. That supplement is available from the Government Printing Office by calling 202.512.1800 and on the OMB's website at www.whitehouse.gov/omb/grants_circulars/. The AICPA issues an annual Audit Risk Alert Government Auditing Standards and *Circular A-133 Developments* as a complement to the Audit Guide Government Auditing Standards and *Circular A-133 Audits*.

.04 The Public Company Accounting Oversight Board (PCAOB) establishes standards for audits of *issuers*, as that term is defined by the Sarbanes-Oxley Act of 2002 (the act) or whose audit is prescribed by the rules of the Securities and Exchange Commission. Other entities are referred to as *nonissuers*. Because state and local governments are nonissuers, this checklist does not address PCAOB standards. However, although not common, the auditor may be engaged to audit and report on the effectiveness of a state or local government's internal control over financial reporting in accordance with PCAOB auditing standards. In those cases, the auditor should modify this checklist considering the guidance in PCAOB standards, the GAO Internet Notice at www.gao.gov/govaud/ybk01.htm titled *Guidance on Complying with Government Auditing Standards Reporting Requirements for the Report on Internal Control for Audits of Certain Entities Subject to the Requirements of the Sarbanes-Oxley Act of 2002 and Government Auditing Standards*, and Interpretation No. 18, "Reference to PCAOB Standards in an Audit Report on a Nonissuer," of AU section 508, *Reports on Audited Financial Statements* (AICPA, *Professional Standards*, AU sec. 9508 par. .89–.92).

.05 As explained in chapter 14, "Audit Reporting," of the AICPA Audit and Accounting Guide *State and Local Governments* and the first practice tip in section 13,200, "Auditors' Reports Checklist for Audits Performed in Accordance with Generally Accepted Auditing Standards," the auditor generally expresses or disclaims an opinion on a government's basic financial statements by providing an opinion or disclaimer of opinion on each opinion unit required to be presented in those financial statements. This checklist sometimes uses the singular terms *opinion* and *disclaimer of opinion* to encompass the multiple opinions and disclaimers of opinions that generally will be provided on a government's financial statements.

.06 This checklist has been updated for the revisions to OMB Circular A-133 published in the *Federal Register* on June 26, 2007, the latest revision to Circular A-133. Although this most recent revision to Circular A-133 contains the definition of *significant deficiency* and *material weakness* as defined in Statement on Auditing Standards No. 112, *Communicating Internal Control Related Matters Identified in an Audit*, a statement published on OMB's website at the Circular A-133 link has clarified the terms *significant deficiency* and *material weakness* are to be used as defined in generally accepted auditing standards (GAAS) issued by the AICPA

² AU section 801, *Compliance Audits* (AICPA, *Professional Standards*), is applicable when an auditor is engaged or required by law or regulation to perform a compliance audit in accordance with (a) GAAS, (b) standards for financial audits under GAS, and (c) a governmental audit requirement that requires an auditor to express an opinion on compliance. This guidance addresses the application of GAAS to a compliance audit and does not apply to the financial statement audit that may be performed in conjunction with a compliance audit.

and GAS issued by the GAO. The result of this clarification is that Circular A-133 reports should be updated for the guidance in AU section 325, *Communicating Internal Control Related Matters Identified in an Audit* (AICPA, *Professional Standards*). Interpretation No. 1, "Communicating Deficiencies in Internal Control Over Compliance in an Office of Management and Budget Circular A-133 Audit," of AU section 325 (AICPA, *Professional Standards*, AU sec. 9325 par. .01-.04) provides guidance on implementing these reporting requirements. This checklist has been updated for OMB reports based on AU section 325.

.07 Explanation of References:

A-133 = OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as revised for the June 27, 2003, and June 26, 2007, revisions.

AAG-SLA = AICPA Audit Guide Government Auditing Standards and Circular A-133 Audits (as of February 1, 2012)

AU = Reference to section number in AICPA *Professional Standards*

GAS = GAO 2007 revision to *Government Auditing Standards*

.08 Checklist Questionnaire:

Part I—Reports on Audits Performed in Accordance With GAS

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
1. In a financial statement audit performed in accordance with GAS, has the auditor issued the following reports: ³			
a. A report on the entity's financial statements that provides an opinion or disclaimer of opinion on the financial statements? [GAS 5.03; AAG-SLA 4.04 and .22]	_____	_____	_____
b. A report on internal control over financial reporting and on compliance with laws, regulations, and provisions of contracts or grant agreements based on an audit of financial statements performed in accordance with GAS? [GAS 5.07; AAG-SLA 4.04, .08, .16, and .27–.28]	_____	_____	_____
Report on the Financial Statements			
2. In addition to the elements listed in the checklist for the auditor's report on the financial statements at section 13,200, does the auditor's report on the financial statements contain			
a. a statement that the audit was conducted in accordance with the standards applicable to financial audits contained in GAS, issued by the Comptroller General of the United States? ⁴ [GAS 5.05; AAG-SLA 4.05a, .22d, and .24]	_____	_____	_____
b. a statement or a reference to a separate report on internal control over financial reporting and on compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters prepared in accordance with GAS, ⁵ which includes			
i. a description of the scope of testing of internal control over financial reporting and compliance with laws, regulations, and provisions of contracts or grant agreements and the results of that testing, and a statement about whether the tests performed provided sufficient appropriate evidence to support an opinion on the internal control over financial reporting or on compliance with laws, regulations, and provisions of contracts or grant agreements? ⁶	_____	_____	_____

³ No provision in GAS requires the auditee to prepare financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). If an auditee prepares financial statements in conformity with a comprehensive basis of accounting other than GAAP, known as an other comprehensive basis of accounting, the auditor still is required to express or disclaim an opinion and should follow the reporting guidance in AU section 623, *Special Reports* (AICPA, *Professional Standards*) (GAS paragraph 5.03 footnote 62, and AAG-SLA paragraph 4.22h).

⁴ When personal, external, and organizational impairments to independence exist, a government auditor who cannot decline to perform the work because of a legislative requirement or for other reasons should report the impairment in the scope section of the auditor's report (GAS paragraph 3.04 and AAG-SLA paragraph 4.22d).

⁵ If the reporting on internal control over financial reporting and on compliance and other matters is included in the report on the financial statements, the reference to the separate report is not required. The guide recommends separate reporting (AAG-SLA paragraphs 4.05b and 4.22i).

⁶ Paragraph 4.08 of AAG-SLA notes that GAS permits, but does not require, an opinion on internal control over financial reporting or on compliance if sufficient work was performed. This statement should be modified if the auditor is providing an opinion on internal control over financial reporting or on compliance in the GAS report (AAG-SLA paragraphs 4.05b and 4.22i).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<ul style="list-style-type: none"> ii. if a separate report is issued, a reference to the separate report is included in the report on the financial statements and a statement that the separate report is an integral part of an audit performed in accordance with GAS and should be considered in assessing the results of the audit? [GAS 5.08-.09; AAG-SLA 4.05<i>b</i> and .22<i>i</i>] 	_____	_____	_____
3. If the auditor does not follow an applicable standard of GAS, does the scope section of the report disclose the standard that was not followed, the reasons therefore, and how not following the standard affected, or could have affected, the results of the audit? [GAS 1.12 <i>b</i> ; AAG-SLA 4.25]	_____	_____	_____
4. If a component unit or fund that is material to an opinion unit is not required to have an audit in accordance with GAS, has the scope paragraph of the report on the financial statements been modified to indicate the portion of the entity that was not audited in accordance with GAS? (If it is not evident from the financial statements to which opinion unit the component unit or fund relates, the auditor should consider identifying the opinion unit in addition to the name of the component unit or fund.) [AAG-SLA 4.39-.40]	_____	_____	_____
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit Performed in Accordance With GAS			
5. Does the auditor's report on internal control over financial reporting and on compliance and other matters conform to the standard report language illustrated in AAG-SLA? [AAG-SLA examples 4-3-4-5 and 4-7 in app. A (par. 4.51)]	_____	_____	_____
6. Does the auditor's report on internal control over financial reporting and on compliance and other matters contain			
<ul style="list-style-type: none"> <i>a.</i> a statement that the auditor has audited the financial statements of the auditee's opinion units 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 about consistency because of a change in accounting principle, or a reference to the report of other auditors)? [AAG-SLA 4.28<i>a</i> and .51 and examples 4-3, 4-5, and 4-7 in app. A (4.51)] 	_____	_____	_____
<ul style="list-style-type: none"> <i>b.</i> a statement that the audit was conducted in accordance with GAAS (with an identification of the United States of America as the country of origin of those standards) and with the standards applicable to financial audits contained in GAS, issued by the Comptroller General of the United States?⁷ 	_____	_____	_____

⁷ See footnote 4, GAS paragraph 3.06, and AAG-SLA paragraph 4.28*b*.

		<u>Yes</u>	<u>No</u>	<u>N/A</u>
c.	a statement that in planning and performing the audit, the auditor considered the auditee's internal control over financial reporting as a basis for designing the auditing procedures for the purpose of expressing an opinion on the financial statements and not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting; and accordingly, does not express an opinion on the effectiveness of the auditee's internal control over financial reporting? ⁸	_____	_____	_____
d.	a statement that the auditor's consideration of internal control over financial reporting is not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses? If material weaknesses are noted, a statement that there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified?	_____	_____	_____
e.	the definitions of <i>deficiency in internal control</i> and <i>material weakness</i> ?	_____	_____	_____
f.	if material weaknesses are noted, a statement that certain deficiencies in internal control over financial reporting were identified that the auditor considers to be material weaknesses?	_____	_____	_____
g.	if material weaknesses are identified, a description of the material weakness identified (including the views of responsible officials and their planned corrective action) or a reference to a separate schedule in which material weaknesses, views of responsible officials, and their planned corrective action are described?	_____	_____	_____
h.	if significant deficiencies are noted, a statement that certain deficiencies in internal control over financial reporting were identified that the auditor considers to be significant deficiencies?	_____	_____	_____
i.	if significant deficiencies are identified, a description of the significant deficiencies identified (including the views of responsible officials and their planned corrective action) or a reference to a separate schedule in which significant deficiencies, views of responsible officials, and their planned corrective action are described? ⁹	_____	_____	_____
j.	if significant deficiencies are identified, the definition of a <i>significant deficiency</i> ?	_____	_____	_____
k.	if no significant deficiencies or material weaknesses are noted, a statement that no material weaknesses were identified; if significant deficiencies are noted but no material weaknesses were identified, a statement that no material weaknesses were identified? ¹⁰	_____	_____	_____

⁸ Paragraph 4.08 of AAG-SLA notes that GAS permits, but does not require, an opinion on internal control over financial reporting or on compliance if sufficient work was performed. This statement should be modified if the auditor is providing an opinion on internal control over financial reporting (AAG-SLA paragraph 4.28c).

⁹ For an audit in accordance with Circular A-133, all findings, including those required to be reported under GAS, should be included in the schedule of findings and questioned costs. Therefore, for such audits, this report should refer to the schedule of findings and questioned costs. See the questions about that schedule in part II of this checklist (AAG-SLA paragraph 13.25).

¹⁰ AU section 325, *Communicating Internal Control Related Matters Identified in an Audit* (AICPA, *Professional Standards*), precludes an auditor from issuing a written report representing that no significant deficiencies were noted during an audit.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
l. 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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts?	_____	_____	_____
m. 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? ¹¹	_____	_____	_____
n. a statement that notes whether the results of tests disclosed instances of noncompliance or other matters (certain fraud and abuse) that are required to be reported under GAS and, if they are, describes the instances of noncompliance and other matters (including the views of responsible officials and their planned corrective action) or refers to the separate schedule in which the noncompliance and other matters, views of responsible officials, and their planned corrective action are described? ¹² When the views of responsible officials are included (auditee's written response) also include a statement that the auditor did not audit the auditee's response and, accordingly, expresses no opinion on it? [AAG-SLA 4.16 and 4.28n]	_____	_____	_____
o. if applicable, a statement that additional matters were communicated to the auditee in a management letter? [AAG-SLA table 4-1, par. 4.28o and .37, and examples 4-3-4-7]	_____	_____	_____
p. a separate paragraph at the end of the report stating that the report is intended solely for the information and use of the management, <i>[identify the body or individuals charged with governance]</i> , others within the entity, and <i>[identify any specified legislative or regulatory body]</i> ¹³ and is not intended to be and should not be used by anyone other than these specified parties? ¹⁴	_____	_____	_____
q. the manual or printed signature of the auditor's firm of organization?	_____	_____	_____
r. the date of the auditor's report? [AAG-SLA 4.28]	_____	_____	_____
7. Does the report carry the same date as the report on the financial statements? [AAG-SLA 4.28r]	_____	_____	_____

¹¹ Paragraph 4.08 of the guide notes that GAS permits, but does not require, an opinion on internal control over financial reporting or on compliance if sufficient work was performed. This statement should be modified if the auditor is providing an opinion on compliance (AAG-SLA paragraph 4.28c).

¹² See footnote 9.

¹³ For an audit in accordance with Circular A-133, this reference should include federal awarding agencies and, if applicable, pass-through entities (AAG-SLA paragraphs 4.28p and 13.25).

¹⁴ This paragraph conforms to AU section 532, *Restricting the Use of an Auditor's Report* (AICPA, *Professional Standards*). See AU section 532 for additional guidance on restricted-use reports (AAG-SLA paragraph 4.28p).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
8. If a component unit or fund that is material to an opinion unit is not required to have an audit in accordance with GAS, has the scope paragraph of the report been modified to indicate the portion of the entity that was not audited in accordance with GAS? (If it is not evident from the financial statements to which opinion unit the component unit or fund relates, the auditor should consider identifying the opinion unit in addition to the name of the component unit or fund.) [AAG-SLA 4.39–.41]	_____	_____	_____
9. If certain pertinent information is prohibited from public disclosure or is excluded from a report due to the confidential or sensitive nature of the information (as it may be by federal, state, or local laws or regulations), does the auditor's report state that certain information has been omitted and the reason or other circumstance that makes the omission necessary? [GAS 5.39; AAG-SLA 4.05g]	_____	_____	_____
10. Does the language in the compliance and other matters section of the report refer to findings that do or may include fraud and abuse? (That language should appear in all reports, even if the report does not describe or refer to findings of fraud or abuse or even if the only findings of fraud or abuse are described in or referred to from the section on internal control over financial reporting.) [AAG-SLA 4.31]	_____	_____	_____
11. Are findings that relate to both internal control over financial reporting and to compliance reported in or referred to from both the section of the report concerning internal control over financial reporting and in the section of the report concerning compliance and other matters? (The reporting in one section of the report or schedule may be in summary form with a reference to a detailed reporting in the other section.) [AAG-SLA 4.30]	_____	_____	_____
12. Are findings of fraud and abuse reported in or referred to from the compliance and other matters section of the report, unless the primary nature of the finding is a significant deficiency or material weakness in internal control? (Auditors should present or refer to findings of fraud and abuse that represent significant deficiencies or material weaknesses in internal control in the internal control section.) [AAG-SLA 4.31]	_____	_____	_____
13. Do the reported findings include all identified deficiencies in internal control over financial reporting considered to be significant deficiencies or material weaknesses and all fraud and illegal acts (unless inconsequential), ¹⁵ and material violations of provisions of contracts or grant agreements and material abuse that has occurred or is likely to have occurred? ¹⁶ [GAS 5.10; AAG-SLA 4.05c, .09, .16–.17, .29, and 13.39–.40]	_____	_____	_____

¹⁵ In an audit conducted in accordance with Circular A-133, the auditor should apply a financial statement materiality consideration in reporting in the GAS report fraud and illegal acts involving federal awards that are subject to Circular A-133 reporting. That is because those findings already are reported in the Circular A-133 report and reporting findings that are not material to the financial statements again in the GAS report would be unnecessarily duplicative (AAG-SLA paragraphs 4.16, 13.23, and exhibit 13-1).

¹⁶ GAS requires this reporting even if the auditor disclaims an opinion on the financial statements. GAS also provides reporting requirements for other findings of internal control deficiencies, fraud, illegal acts, violations of provisions of contracts or grants agreements, and abuse; see questions 18–19.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
14. Does each finding include a reference number? (For example, findings identified and reported in the audit of fiscal year 20X1 could be assigned reference numbers 20X1-1, 20X1-2, and so forth.) [AAG-SLA 4.34]	_____	_____	_____
15. Do the reported findings place the findings in proper perspective (or context) by describing the nature and extent of the issues reported and the work performed that resulted in the finding? (The identified instances should be related to the population or the number of cases examined and be quantified in terms of dollar value or other measures, if appropriate.) [GAS 5.22; AAG-SLA 4.32]	_____	_____	_____
a. When reporting instances of fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse, are the results projected? (If the results cannot be projected, auditors should limit their conclusions appropriately.) [GAS 5.22; AAG-SLA 4.32]	_____	_____	_____
16. To the extent possible and to achieve audit objectives, do the reported findings present criteria, condition, cause, effect or potential effect, and recommendation? [GAS 4.14–.18 and 5.21; AAG-SLA 4.33]	_____	_____	_____
17. Does the auditor's report include the views of responsible officials concerning the findings, conclusions, and recommendations, as well as planned corrective actions? ^{17, 18} [GAS 5.32; AAG-SLA 4.05f and 4.35]	_____	_____	_____
a. If the auditor receives, in writing, the views of responsible officials, is a copy of the officials' written comments or a summary of the comments received included in the auditor's report? ¹⁹	_____	_____	_____
b. Does the auditor's report include an evaluation of the comments, as appropriate?	_____	_____	_____
c. If the entity's views oppose the report's findings, conclusions, or recommendations, and are not, in the auditor's opinion, valid—or if the planned corrective actions do not adequately address the auditor's recommendations—does the report state reasons for disagreeing with the comments or planned corrective actions?	_____	_____	_____
d. If the audited entity refused to provide comments or is unable to provide comments within a reasonable period of time, does the auditor's report state that the audited entity did not provide comments? [GAS 5.34–.38; AAG-SLA 4.36]	_____	_____	_____

¹⁷ In an audit in accordance with Circular A-133, the auditee is required to submit a corrective action plan. For those audits, depending on the status of the development of the corrective action plan at the time the auditor's reports are released, the auditor may be able to refer to the corrective action plan to satisfy as the required presentation of the auditee's views and planned corrective actions. See the questions about the reporting of auditee views and the corrective action plan in part II of this checklist (AAG-SLA paragraph 4.35).

¹⁸ The auditor is required to extend a reasonable effort to obtain and report auditee views and planned corrective actions. GAS does not require the auditor to delay or withhold the release of the report if the auditee does not provide the necessary information on a timely basis. If, however, the auditee does not provide the necessary information by the time the report is released, the report should indicate that the audited entity did not provide comments (GAS paragraph 5.38 and AAG-SLA paragraph 4.36).

¹⁹ When the responsible officials provide oral comments only, auditors should prepare a summary of the oral comments and provide a copy of the summary to the responsible officials to verify that the comments are accurately stated.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
Other Reporting and Communication Considerations			
18. Does the management letter communicate the following unless clearly inconsequential—deficiencies in internal control that are not significant deficiencies or material weaknesses, immaterial violations of provisions of contracts or grant agreements, and immaterial abuse? ²⁰ [GAS 5.16; AAG-SLA 4.19 and .37]	_____	_____	_____
a. Are the management letter discussions worded so that readers can distinguish those matters that are required to be included by GAAS or <i>Government Auditing Standards</i> from matters that are recommendations for improvements or information about “best practices”? [AAG-SLA 4.38]	_____	_____	_____
b. Does the management letter not include personal identification or other potentially sensitive matters? [AAG-SLA 4.49]	_____	_____	_____
19. Has the auditor used professional judgment to determine whether and how to communicate to auditee officials deficiencies in internal control, fraud, illegal acts, violations of provisions of contracts or grant agreements, and abuse that are less than material but more than inconsequential? ²¹ [GAS par. 5.16; AAG-SLA 4.37]	_____	_____	_____
20. Has the auditor reported known or likely fraud, illegal acts, violations of provisions of contracts or grant agreements, and abuse directly to parties outside of the auditee in the situations required by GAS, even if the auditor has resigned or been dismissed from the audit? [GAS 5.18–.20; AAG-SLA 4.20]	_____	_____	_____
21. In addition to the communications required by GAAS, has the auditor communicated the following information regarding his or her planned work and reporting related to testing internal control over financial reporting and compliance with laws, regulations, and provisions of contracts or grant agreements preferably in a writing such as the engagement letter, to those charged with governance of the audited entity and to the individuals contracting for or requesting the audit during the planning stages of the audit: [AAG-SLA 2.27–.29]			
a. The auditor’s responsibilities for testing and reporting on internal control over financial reporting and on compliance with laws, regulations, and provisions of contracts or grant agreements?	_____	_____	_____

²⁰ Generally, GAS requires the auditor to evaluate findings for the purpose of communication in the management letter based on their consequence to the financial statements or other financial data significant to the audit objectives. In an audit in accordance with Circular A-133, however, the auditor should evaluate findings involving federal awards for the purpose of that communication based only on their consequence to the financial statements. Further, the auditor should not communicate such findings in the management letter if they are otherwise reported as audit findings in accordance with Circular A-133 (AAG-SLA paragraphs 4.37 and 13.34).

²¹ GAAS require that whenever the auditor has determined that there is evidence that fraud may exist, the auditor should bring that matter to the attention of an appropriate level of management, even if the matter might be considered inconsequential (Paragraph .79 of AU section 316, *Consideration of Fraud in a Financial Statement Audit* [AICPA, *Professional Standards*], and AAG-SLA paragraphs 4.12 and 4.37).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p><i>b.</i> The nature of any additional testing of internal control and compliance required by laws, regulations, and provisions of contracts or grant agreements or otherwise requested, and whether the auditor is planning on providing an opinion on internal control over financial reporting or on compliance with laws, regulations, and provisions of contracts or grant agreements?</p> <p><i>c.</i> A contrasting of the responsibilities in items (a)–(b) of question 21 with other audits of internal control and compliance?</p> <p><i>d.</i> Potential restrictions on the auditor's reports?</p> <p><i>e.</i> Additional relevant topics, such as the auditor's fieldwork and reporting responsibilities for fraud and abuse? [GAS 4.06–.07]</p>	_____	_____	_____
22. If an audit is terminated before it is complete, is the reason for terminating the audit communicated to auditee management, the entity requesting the audit, and other appropriate officials, preferably in writing? [GAS 4.08; AAG-SLA 2.30]	_____	_____	_____
23. If the auditor is			
<p><i>a.</i> a government auditor, does the auditor submit the auditor's reports to the appropriate officials of the audited entity, appropriate officials of the organizations requiring or arranging for the audits (unless legal restrictions prevent it), and other officials who have legal oversight authority or who may be responsible for acting on audit findings and recommendations and to others authorized to receive such reports?</p> <p><i>b.</i> a nongovernment auditor, does the auditor clarify report distribution responsibilities with the party contracting for the audit and follow the agreements reached? [GAS 5.44; AAG-SLA 4.05<i>h</i>]</p>	_____	_____	_____
24. Unless the report is restricted by law or regulation, or contains privileged and confidential information, does the auditor clarify that copies are made available for public inspection? (That clarification should be made in the engagement letter and may also be made in correspondence that transmits the reports to the auditee and other recipients.) [GAS 5.44; AAG-SLA 4.05 <i>h</i>]	_____	_____	_____
25. If the auditor is reporting on restated financial statements, did the auditor's report include an explanatory paragraph in the reissued or updated auditor's report that included			
<p><i>a.</i> a statement disclosing that the previously issued financial statements have been restated?</p> <p><i>b.</i> a statement that the previously issued report (referred to by report date) is not to be relied upon (because previously issued financial statements were materially misstated) and is being replaced by the auditor's report on the restated financial statements?</p> <p><i>c.</i> a reference to the notes to the restated financial statements that discusses the restatement?</p>	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
d. if applicable, a reference to the report on internal control containing a discussion of any significant deficiency or material weakness identified related to the failure to prevent or detect the misstatement and any management corrective action taken? [GAS 5.29]	_____	_____	_____
26. If the auditor is reporting on restated financial statements and if management fails to include the appropriate disclosures related to the restatement, are the omitted disclosures included in the auditor's report? [GAS 5.30]	_____	_____	_____
27. Has the auditor notified those charged with governance if the entity's management (a) does not act in an appropriate time frame after new information was available to determine the financial statement effects of the new information and take the necessary steps to timely inform those who are likely to rely on the financial statements and the related auditor's reports of the situation or (b) does not restate with reasonable timeliness the financial statements under circumstances in which auditors believe they need to be restated? [GAS 5.31]	_____	_____	_____

Part II—Reports on Audits Performed in Accordance With Circular A-133

1. In an audit performed in accordance with Circular A-133, has the auditor issued the following reports in addition to those in part I of this checklist: ²²			
a. A report on the supplementary schedule of expenditures of federal awards that provides an opinion (or disclaimer of opinion) about whether the schedule is presented fairly in all material respects in relation to the basic financial statements as a whole?	_____	_____	_____
b. A report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with Circular A-133 that provides an opinion (or disclaimer of opinion) regarding whether the auditee complied with laws, regulations, contracts, and grants that could have a direct and material effect on each major program, and, where applicable, a reference to the separate schedule of findings and questioned costs?	_____	_____	_____
c. A schedule of findings and questioned costs? [A-133 sec. 505; AAG-SLA 13.06]	_____	_____	_____

²² Because of the requirements of GAS, the auditor also has other reporting and communication responsibilities in a Circular A-133 audit. See the questions in the section titled "Other Reporting and Communication Considerations" in part I of this checklist.

Yes No N/A

Report on the Supplementary Schedule of Expenditures of Federal Awards²³

Practice Tip

When listing expenditures of Recovery Act awards in compliance reports, those expenditures must be shown separately from non-Recovery Act expenditures. Appendix 7 of the *OMB Circular A-133 Compliance Supplement* notes that Recovery Act expenditures should be shown separately on the Schedule of Expenditures of Federal Awards, and as separate rows under item 9 of part III on the DCF (SF-SAC) by Catalog of Federal Domestic Assistance (CFDA) number, and inclusion of the prefix "ARRA" in identifying the award.

- | | | | | |
|----|---|-------|-------|-------|
| 2. | Is the report on the schedule included in (a) an explanatory paragraph following the opinion paragraph in the auditor's report on the financial statements, or (b) a separate report on the schedule? (Separate reporting can be accomplished by either including the reporting in the report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with Circular A-133.)
[AAG-SLA 13.11] | _____ | _____ | _____ |
| 3. | When the schedule is presented with the basic financial statements, does the report on the schedule appear in either | | | |
| | a. an explanatory paragraph following the opinion paragraph in the auditor's report on the basic financial statements or | _____ | _____ | _____ |
| | b. in a separate report on the schedule?
[AAG-SLA example 4-1, 7.36, 13.11, and 13.13–15] | _____ | _____ | _____ |
| 4. | Does the explanatory paragraph or separate report include the following elements: | | | |
| | a. A statement that the audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole? | _____ | _____ | _____ |
| | b. A statement that the schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements? | _____ | _____ | _____ |
| | c. A statement that the schedule is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements? | _____ | _____ | _____ |
| | d. A statement that the schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves and other additional procedures, in accordance with GAAS? | _____ | _____ | _____ |

²³ AU section 551, *Supplementary Information in Relation to the Financial Statements as a Whole* (AICPA, *Professional Standards*), changes the auditor and presentation requirements related to issuing an "in relation to" opinion on the schedule of expenditures of federal awards. For more information on the requirements under AU section 551, including illustrative report language, see the February 1, 2012, edition of the guide and chapter 14, "Audit Reporting," in the March 1, 2012, edition of AICPA Audit and Accounting Guide *State and Local Governments*.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
e. If an unqualified opinion was issued on the basic financial statements and the auditor has concluded that the schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole, a statement that, in the auditor's opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole?	_____	_____	_____
f. If a qualified opinion was issued on the basic financial statements and the qualification has an effect on the schedule of expenditures of federal awards, a statement that, in the auditor's opinion, except for the effects on the schedule of expenditures of federal awards of (refer to the paragraph in the auditor's report explaining the qualification), such information is fairly stated, in all material respects, in relation to the basic financial statements as a whole? [AAG-SLA example 4-1, 13.11, 13.14–15, and example 13-1]	_____	_____	_____
5. When the audited basic financial statements are not presented with the schedule, is the "in relation to" opinion in a separate report (that is, included in either the report on compliance and on internal control over compliance required by Circular A-133 or in a separate stand-alone report)? [AAG-SLA 13.11–12, 13.22, and example 13-1]	_____	_____	_____
6. When reporting separately on the schedule, does the report include, in addition to the elements in question 4, all of the following:			
a. A reference to the report on the basic financial statements?	_____	_____	_____
b. The date of that report?	_____	_____	_____
c. The nature of the opinion expressed on the basic financial statements?	_____	_____	_____
d. Any report modifications? [AAG-SLA 13.12, 13.16–17, and example 13-1]	_____	_____	_____
7. When the auditor's report on the audited basic financial statements contains an adverse or a disclaimer of opinion and the auditor has been engaged to report on whether the schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole, has the auditor determined that the auditor is precluded from expressing an opinion on the schedule? ²⁴ In this situation,	_____	_____	_____
a. when permitted by law or regulation, did the auditor withdraw from the engagement to report on the schedule?	_____	_____	_____
b. if the auditor does not withdraw, does the auditor's report on the schedule state that because of the significance of the matter disclosed in the auditor's report, it is inappropriate to, and the auditor does not, express an opinion on the schedule? [AAG-SLA 13.17]	_____	_____	_____
8. Is the date of the auditor's report on the schedule the same date or subsequent to the date on which the auditor completed the procedures described in AU section 551? [AAG-SLA 13.18–21]	_____	_____	_____

²⁴ See appendix A, "Illustrative Schedules of Expenditures of Federal Awards," of chapter 7, "Schedule of Expenditures of Federal Awards," of the February 1, 2012, edition of the guide for additional information related to this situation.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
9. If the auditor concludes, on the basis of procedures performed, that the schedule is materially misstated in relation to the basic financial statements as a whole, has the auditor discussed the matter with management and proposed appropriate revision of the schedule? [AAG-SLA 13.16]	_____	_____	_____
10. If the auditor has concluded, on the basis of procedures performed, that the schedule is materially misstated in relation to the basic financial statements as a whole, has the auditor either			
a. modified the auditor's opinion on the schedule, or	_____	_____	_____
b. in the case when a separate report is issued on the schedule, withheld the auditor's report on the schedule? [AAG-SLA 13.16]	_____	_____	_____
11. If the report on the basic 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? [AAG-SLA 13.37]	_____	_____	_____
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With Circular A-133			
12. Does the report conform to the standard report language illustrated in AAG-SLA? [AAG-SLA examples 13-1-13-5]	_____	_____	_____
13. Does the report contain the following elements:			
a. A title that includes the word <i>independent</i> ?	_____	_____	_____
b. A statement that the auditor has audited the compliance of the auditee with the types of compliance requirements described in the <i>OMB Circular A-133 Compliance Supplement</i> that could have a direct and material effect on each of its major programs?	_____	_____	_____
c. Identification of the period covered by the report?	_____	_____	_____
d. A statement that the auditee's major programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs?	_____	_____	_____
e. 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?	_____	_____	_____
f. A statement that the audit of compliance was conducted in accordance with GAAS generally accepted in the United States of America, the standards applicable to financial audits contained in GAS issued by the Comptroller General of the United States, and Circular A-133?	_____	_____	_____
g. A statement that those standards and Circular 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?	_____	_____	_____

		<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>h.</i>	A statement that an audit includes 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?	_____	_____	_____
<i>i.</i>	A statement that the auditor believes that the audit provides a reasonable basis for the auditor's opinion?	_____	_____	_____
<i>j.</i>	A statement that the audit does not provide a legal determination of the auditee's compliance with those requirements?	_____	_____	_____
<i>k.</i>	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?	_____	_____	_____
<i>l.</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			
	<i>i.</i> the reference number(s) of the finding(s)?	_____	_____	_____
	<i>ii.</i> an identification of the type(s) of compliance requirements and related major program(s)?	_____	_____	_____
	<i>iii.</i> a statement that compliance with such requirements is necessary, in the auditor's opinion, for the auditee to comply with the requirements applicable to the program(s)?	_____	_____	_____
<i>m.</i>	If applicable, a statement that the results of the auditing procedures disclosed instances of noncompliance that are required to be reported in accordance with Circular A-133, a reference to the schedule of findings and questioned costs in which they are described, and the reference number of the finding(s)?	_____	_____	_____
<i>n.</i>	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?	_____	_____	_____
<i>o.</i>	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 internal control over compliance in accordance with Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance and accordingly does not express an opinion on the effectiveness of internal control over compliance?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
p. A statement that the auditor's consideration of the internal control over compliance was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses? If material weaknesses in internal control over compliance have been identified, a statement that the auditor's consideration of internal control over compliance was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified?	_____	_____	_____
q. The definitions of <i>deficiency in internal control over compliance</i> and <i>material weakness in internal control over compliance</i> ?	_____	_____	_____
r. If material weaknesses in internal control over compliance were identified, a statement that deficiencies in internal control over compliance were identified that are considered to be material weaknesses and a description of the material weaknesses in internal control over compliance, or a reference to the accompanying schedule of findings and questioned costs, including the reference number of the finding(s)?	_____	_____	_____
s. If significant deficiencies in internal control over compliance were identified, the definition of <i>significant deficiency in internal control over compliance</i> and a statement that deficiencies in internal control over compliance were identified that are considered to be significant deficiencies, and a description of the significant deficiencies in internal control over compliance or a reference to the accompanying schedule of findings and questioned costs, including the reference number of the finding(s)? If applicable, a statement about whether the auditor believes any of the significant deficiencies in internal control over compliance identified are material weaknesses in internal control over compliance?	_____	_____	_____
t. If no material weaknesses in internal control over compliance were identified, a statement to that effect?	_____	_____	_____
u. If applicable, a statement that the auditee's response to findings identified in the audit are described in the accompanying schedule of findings and questioned costs, and that the auditor did not audit the auditee's response and, accordingly, expresses no opinion on it?	_____	_____	_____
v. A separate paragraph at the end of the report stating that the report is intended solely for the information and use of [identify the body or individuals charged with governance], others within the entity, [identify the specified legislative or regulatory body], 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? ²⁵	_____	_____	_____
w. The manual or printed signature of the auditor's firm?	_____	_____	_____
x. The date of the auditor's report? [AAG-SLA 13.31]	_____	_____	_____

²⁵ See footnotes 20 and 21 (AAG-SLA paragraph 13.31).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
14. If the audit of the auditee's compliance with requirements applicable to a major program detects material instances of noncompliance with those requirements, does the auditor's report express a qualified or adverse opinion? [AAG-SLA 13.27]	_____	_____	_____
15. 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? [AAG-SLA 13.28-.30]	_____	_____	_____
16. Have the cumulative effects of all instances of noncompliance with federal programs and scope limitations been considered in the opinion on the financial statements? [AAG-SLA 13.27-.28]	_____	_____	_____
17. If there are abuse findings reported in the federal awards section of the schedule of findings and questioned costs that do not otherwise meet the Circular A-133 requirements for reporting as findings, has the auditor considered the need to modify the report on compliance and on internal control over compliance? [AAG-SLA 13.44]	_____	_____	_____
18. Is the report dated the same as or later than the date of the auditors' report on the financial statements?	_____	_____	_____
a. If the report is dated later than the date of the auditor's report on the financial statements, have appropriate subsequent events procedures been performed? [AAG-SLA 13.33]	_____	_____	_____
19. If the audit of federal awards does 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? [AAG-SLA 13.38]	_____	_____	_____
20. 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 compliance and on internal control over compliance? [AAG-SLA 13.37]	_____	_____	_____

Schedule of Findings and Questioned Costs

Practice Tip

The auditor should include explicit identification of Recovery Act programs in the audit finding detail of the Schedule of Findings and Questioned Costs (Appendix 7 of the *OMB Circular A-133 Compliance Supplement*).

21. Does the report conform to the standard report language illustrated in AAG-SLA? [AAG-SLA example 13-6]	_____	_____	_____
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	<u>Yes</u>	<u>No</u>	<u>N/A</u>
22. Is the report presented even if there are no findings to report? (In a situation in which there are no findings or questioned costs, the auditor should prepare the summary of auditor's results section of the schedule and either omit the other sections or include them, indicating that no matters were reported.) [AAG-SLA 13.48]	_____	_____	_____
23. 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? (See the questions about those findings in part I of this checklist.)	_____	_____	_____
c. Findings and questioned costs for federal awards? [AAG-SLA 13.39]	_____	_____	_____
24. Does the summary of auditor's results include			
a. the type of report the auditor issued on the financial statements of the auditee (that is, unqualified opinions, qualified opinions, adverse opinions, or disclaimers of opinion)? (Because the auditor generally expresses or disclaims an opinion on a government's basic financial statements by providing an opinion or disclaimer of opinion on each opinion unit required to be presented in those financial statements, the schedule of findings and questioned costs may need to indicate multiple types of opinions on a government's basic financial statements.)	_____	_____	_____
b. where applicable, a statement that significant deficiencies or material weaknesses, or both, in internal control were disclosed by the audit of the financial statements?	_____	_____	_____
c. a statement on whether the audit disclosed any noncompliance that is material to the financial statements?	_____	_____	_____
d. where applicable, a statement that significant deficiencies and material weaknesses in the internal control over major programs were disclosed by the audit?	_____	_____	_____
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)? (If the audit report for one or more major programs is other than unqualified, indicate the type of report issued for each program.)	_____	_____	_____
f. a statement on whether the audit disclosed any audit findings that the auditor is required to report under Circular A-133? (See question 26 in this section.)	_____	_____	_____
g. an identification of major programs?	_____	_____	_____
h. the dollar threshold used to distinguish between type A and type B programs?	_____	_____	_____
i. a statement on whether the auditee qualified as a low-risk auditee? [AAG-SLA 13.40a]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
25. If there are abuse findings reported in the federal awards section of the schedule of findings and questioned costs that do not otherwise meet the Circular A-133 requirements for reporting as findings, has the auditor considered the need to modify the summary of the auditor's results? [AAG-SLA 13.44]	_____	_____	_____
26. Are the following reported as audit findings related to federal awards:			
a. Significant deficiencies and material weaknesses in internal control over major programs? (The auditor should identify significant deficiencies that are individually or cumulatively material weaknesses.)	_____	_____	_____
b. Material noncompliance with the provisions of laws, regulations, contracts, or grant agreements related to a major program?	_____	_____	_____
c. Known questioned costs that are greater than \$10,000 for a type of compliance requirement for a major program?	_____	_____	_____
d. Known questioned costs when likely questioned costs are greater than \$10,000 for a type of compliance requirement for a major program?	_____	_____	_____
e. Known questioned costs that are greater than \$10,000 for programs that are not audited as major?	_____	_____	_____
f. The circumstances concerning why the auditor's report on compliance for major programs is other than an unqualified opinion, if not otherwise reported as an audit finding?	_____	_____	_____
g. Known fraud affecting a federal award, if not otherwise reported as an audit finding? (An audit finding is not required if the fraud was reported outside the entity as required by GAS.) [A-133 sec. 510(a); AAG-SLA 13.43]	_____	_____	_____
h. Instances of material misrepresentation by the auditee of the status of any prior audit findings? [A-133 sec. 510(a); AAG-SLA 13.43 and .50]	_____	_____	_____
i. Abuse involving federal awards that is material to a major program? [AAG-SLA 13.44]	_____	_____	_____
27. Does the audit finding detail include			
a. a reference number? (For example, findings identified and reported in the audit of fiscal year 20X1 would be assigned reference numbers 20X1-1, 20X1-2, and so forth.) [A-133 sec. 510(c); AAG-SLA 13.47]	_____	_____	_____
b. identification of the federal program and specific federal award, including CFDA title and number, federal award number and year, name of the federal agency, and name of the applicable pass-through entity? ²⁶	_____	_____	_____
c. the criteria or specific requirement upon which the audit finding is based, including the statutory, regulatory, or other citation?	_____	_____	_____

²⁶ When information such as the Catalog of Federal Domestic Assistance (CFDA) title and number or the federal award number is not available, the auditor should provide the best information available to describe the federal award (chapter 7 of the guide discusses an alternative for presentation if a CFDA number is not available). (A-133 section 510(b)(1) and AAG-SLA paragraph 13.45a).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
d. the condition found, including facts that support the deficiency identified in the audit finding?	_____	_____	_____
e. identification of questioned costs and how they were computed?	_____	_____	_____
f. information to provide a proper perspective for judging the prevalence and consequences of the audit findings? ²⁷	_____	_____	_____
g. the possible asserted effect to provide sufficient information to the auditee and Federal agency, or pass-through entity in the case of a subrecipient, to permit them to determine the cause and effect to facilitate prompt and proper corrective action?	_____	_____	_____
h. recommendations to prevent future occurrence of the deficiency? [A-133 sec. 510(b); AAG-SLA 13.45]	_____	_____	_____
28. Do the audit findings related to federal awards also meet the presentation requirements of GAS? (See the questions about those presentation requirements in part I of this checklist.) [AAG-SLA 13.46]	_____	_____	_____
29. Are audit findings that relate to federal awards			
a. and that relate to the same issue presented as one finding?	_____	_____	_____
b. organized by federal agency or pass-through entity, where practical? [A-133 sec. 505(d)(3)(i); AAG-SLA 13.40c]	_____	_____	_____
30. Are audit findings that relate to both the financial statements and the federal awards reported in both sections of the schedule? (An alternative is to report the finding in one section of the schedule in summary form, with a reference to a detailed reporting in the other section of the schedule.) [A-133 sec. 505(d)(3)(ii); AAG-SLA 13.40c]	_____	_____	_____
31. Are findings of abuse involving federal awards presented in the compliance section of the schedule, unless the primary nature of the finding is a significant deficiency in internal control? (Auditors should present findings of abuse that represent significant deficiencies in internal control in the internal control section.) [AAG-SLA 13.44]	_____	_____	_____
32. Do the findings report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as planned corrective actions, as required by GAS, or refer to the corrective action plan, depending on the status of the development of the corrective action plan at the time the auditor's reports are released? ²⁸ [AAG-SLA 13.42 and .49]	_____	_____	_____

²⁷ 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 (A-133 section 510(b)(5) and AAG-SLA paragraph 13.45e).

²⁸ See footnote 18.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. If the auditee's comments oppose the report's findings, conclusions, or recommendations, and are not, in the auditors' opinion, valid—or if the planned corrective actions do not adequately address the auditors' recommendations—does the federal awards section of the schedule of findings and questioned costs state the auditor's reasons for disagreeing with the comments or planned corrective actions? [A-133 sec. 510(b)(8); AAG-SLA 13.46]	_____	_____	_____
33. Do the audit report and any attached or referenced schedules not include names, Social Security numbers, other personal identification, or other potentially sensitive matters? [AAG-SLA 13.59]	_____	_____	_____
Data Collection Form²⁹			
34. Has the auditor completed the appropriate parts of the data collection form?	_____	_____	_____
35. Has the auditor signed the form and dated it as of the date on which the auditor completes and signs the form? [AAG-SLA 13.53]	_____	_____	_____
36. Does the information on the data collection form agree to the information in the auditor's reports and the summary of auditor's results in the schedule of findings and questioned costs? [Federal Audit Clearinghouse, Data Collection Form, No. SF-SAC]	_____	_____	_____

Program-Specific Audits

Practice Tip

When an auditee expends federal awards under only one federal program (excluding research and development) and the federal program's laws, regulations, or grant agreements do not require a financial statement audit of the auditee, the auditee may elect to have a program-specific audit. A program-specific audit may not be elected for research and development unless all federal awards expended were received from the same federal agency (or the same federal agency and the same pass-through entity) and that federal agency (or pass-through entity, in the case of a subrecipient) approves a program-specific audit in advance. [A-133 sec. 200(c); AAG-SLA 14.02]

37. If a program-specific audit guide is available and current with regard to the program's compliance requirements, has the auditor issued the reports required by AAG-SLA? [A-133 sec. 235(a); AAG-SLA 14.04]	_____	_____	_____
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²⁹ The data collection form and related instructions are available from the Federal Audit Clearinghouse's (FAC's) home page at <http://harvester.census.gov/sac>. The form number is SF-SAC. The FAC requires electronic submission of the data collection form via an online Internet Data Entry System. The Office of Management and Budget periodically revises the data collection form and its accompanying instructions. Auditors should exercise caution to make sure they complete the version of the form and instructions that applies to the fiscal year audited (AAG-SLA paragraph 13.54).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
38. If a program-specific audit guide is not available or not current with regard to the program's compliance requirements, has the auditor issued the following reports: ^{30, 31}			
a. A report on the federal program's financial statements that provides an opinion or disclaimer of opinion on the financial statements?	_____	_____	_____
b. A report on compliance with requirements that could have a direct and material effect on the federal program and on the internal control over compliance in accordance with the program-specific audit option under Circular A-133?	_____	_____	_____
c. A schedule of findings and questions costs for the federal program? [A-133 sec. 235(b)(4); AAG-SLA 14.09-.11]	_____	_____	_____
39. Do the reports conform to the standard report language illustrated in AAG-SLA? [AAG-SLA examples 13-1-13-6 and examples 14-1-14-2]	_____	_____	_____

³⁰ If the financial statement(s) of the program present only the activity of the federal program, the auditor is not required to issue a separate report to meet the reporting requirements of GAS. However, if the financial statement(s) of the federal program present more than the program's activity the auditor should issue a separate GAS report and modify it so that it refers only to the financial statement(s) of the federal program (AAG-SLA paragraph 14.11).

³¹ See footnote 22.

FSP Section 13,400

Illustrative Financial Statements

.01 The following illustrative financial statements demonstrate financial statement formats and disclosures appropriate for state and local governments. These illustrations are not intended to represent the only appropriate presentation and disclosure formats, however. State and local governments are urged to develop financial statement formats that are appropriate for their individual circumstances while being consistent with the accounting and reporting practices promulgated. Furthermore, the illustrative financial statements do not include all disclosures and presentation items promulgated. The AICPA gratefully acknowledges the Orange County, Florida, Office of the Comptroller for its contribution of the use of its Comprehensive Annual Financial Report for the year ended September 30, 2011, upon which the illustrative financial statements in this publication are based. Specifically, these illustrative financial statements reflect accounting standards issued through Governmental Accounting Standards Board (GASB) Statement No. 59, *Financial Instruments Omnibus*. Statements issued by GASB subsequent to GASB Statement No. 59 are not reflected in the illustrative financial statements because the effective dates for these standards are subsequent to the date of this example.

.02

COUNTY OF DURHAM, FLORIDA
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ANNUAL FINANCIAL REPORT
for the year ended September 30, 2011

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Management's Discussion and Analysis

.03 Durham County's discussion and analysis offers readers of the County's financial statements a narrative overview and analysis of the County's financial activities for the fiscal year ended September 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, and in the financial statements and notes to the financial statements.

The government-wide financial statements include not only Durham County and its blended component units (known as the primary government), but also a legally separate housing finance authority and other entities for which the County is financially accountable. Information included in this discussion and analysis focuses on the activities of the primary government. Accordingly, information provided does not include the activities of discretely-presented component units.

Financial Highlights

.04

- Durham County's assets exceeded its liabilities at September 30, 2011 by \$5,704.5 million (net assets). Of this amount, \$745.5 million (unrestricted net assets) may be used to meet the County's ongoing obligations to citizens, creditors and enterprise fund customers.
- The County's total net assets increased by \$50.2 million over the previous year, with \$12.8 million of the increase resulting from governmental activities and \$37.4 million resulting from business-type activities.
- At September 30, 2011, the County's governmental fund balance sheet reported a combined ending fund balance of \$903.0 million, a decrease of \$25.1 million compared to the previous fiscal year. Of the combined governmental fund balances, \$106.9 million remains in the various funds of the County as unassigned.
- The General Fund reported a fund balance of \$121.3 million, a decrease of \$24.8 million from last fiscal year. This ending fund balance equates to 17.8 percent of General Fund expenditures and transfers out for the year.
- Total bonded debt decreased by \$48.8 million in fiscal year 2011, due to scheduled payments of principal on outstanding bonds.

Overview of the Financial Statements

.05 This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business. The statement of net assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (such as uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Durham County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The County's governmental activities include general government, public safety, physical environment, transportation, economic environment, human services, and culture/recreation. The County's business-type activities include a convention center facility, a solid waste system, and a water/wastewater utility system. Financial information in the government-wide financial statements distinguishes discretely-presented component units from the financial information presented for the primary government itself.

The government-wide financial statements can be found in paragraphs .12–.13 of this section.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Durham County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- *Governmental funds.* Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Durham County maintains 53 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Fire Protection Municipal Service Taxing Unit (MSTU) Fund, and Sales Tax Trust Fund, each of which are considered to be major funds for the 2011 fiscal year. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Durham County adopts an annual appropriated budget for its governmental funds. Budgetary comparison statements have been provided for governmental funds to demonstrate compliance with the budget.

The basic governmental funds financial statements can be found in paragraphs .14–.17 of this section.

- *Proprietary funds.* Durham County maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its convention center facility, solid waste system, and water/wastewater utility system. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its risk management, fleet management, and employee health benefits and insurance services. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Financial statements of proprietary funds provide the same type of information as the government-wide financial statements, but in greater detail. The proprietary fund financial statements provide separate information for the Durham County Convention Center, Solid Waste System, and Water Utilities System, each of which are considered to be major funds of the County. Individual fund data for the County's six internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found in paragraphs .20–.22 of this section.

- *Fiduciary funds.* Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found in paragraphs .23–.24 of this section.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in paragraphs .28–.146 of this section.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension and other postemployment benefits for employees of the Durham County Library District, and other postemployment benefits with respect to employees of Durham County and the Clerk of Circuit and County Courts. Required supplementary information can be found in paragraphs .147–.154 of this section.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the notes to the financial statements.

Government-wide Financial Analysis

.06 As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Durham County's assets exceeded liabilities by \$5,704.5 million at the close of the most recent fiscal year, representing an increase in total net assets for the year amounting to \$50.2 million.

The largest portion of the County's net assets (78.1 percent) reflects its investment in capital assets (for example, land, buildings, infrastructure, machinery and equipment, and intangibles), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities.

Durham County's Net Assets
(in millions)

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Totals</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
Current and other assets	\$1,164.5	\$1,175.2	\$445.3	\$427.4	\$1,609.8	\$1,602.6
Capital assets	3,414.3	3,397.9	2,333.0	2,350.9	5,747.3	5,748.8
Total assets	<u>4,578.8</u>	<u>4,573.1</u>	<u>2,778.3</u>	<u>2,778.3</u>	<u>7,357.1</u>	<u>7,351.4</u>
Long-term liabilities						
outstanding	569.6	583.5	901.6	946.5.2	1,471.2	1,530.0
Other liabilities	104.0	97.2	77.4	69.9	181.4	167.1
Total liabilities	<u>673.6</u>	<u>680.7</u>	<u>979.0</u>	<u>1,016.4</u>	<u>1,652.6</u>	<u>1,697.1</u>
Net assets:						
Invested in capital assets, net of related debt	2,990.3	2,982.9	1,462.2	1,443.3	4,452.5	4,426.2
Restricted	354.2	344.2	152.3	154.4	506.5	498.6
Unrestricted	560.7	565.3	184.8	164.2	745.5	729.5
Total net assets	<u>\$3,905.2</u>	<u>\$3,892.6</u>	<u>\$1,799.3</u>	<u>\$1,761.9</u>	<u>\$5,704.5</u>	<u>\$5,654.3</u>

An additional portion of the County's net assets (8.9 percent) represents resources that are subject to restrictions on how they may be used, most of which are restrictions imposed from external sources. The remaining 13.0 percent of total net assets (\$745.5 million) represents unrestricted amounts that may be used to meet the government's ongoing obligations to citizens, creditors, and customers within the respective governmental and business-type activities.

At the end of the current fiscal year, as in the prior year, the County is able to report positive balances in all three categories of net assets as a whole and individually within the governmental and business-type activities. Unrestricted net assets increased by \$16.0 million (2.2 percent) compared with the prior year, largely due to increases in the Sales Tax Trust Fund (\$19.7 million), the Convention Center Fund (\$24.3 million) and the Solid Waste System (\$16.7 million), offset by decreases in the General Fund (\$26.5 million), and the Miscellaneous Construction Projects Fund (\$20.5 million). The most significant components of the \$7.9 million increase in restricted net assets (a 1.6 percent increase from the prior year) are associated with the Debt Service Funds, which accounts for \$4.1 million of the increase, primarily due to increased tax revenues. Other increases totaling \$9.4 million in the areas of public safety, physical environment and transportation are the result of conservative spending practices. Decreases in restricted net assets are associated with the SHIP fund (\$3.3 million) as a result of reduced revenue and the Convention Center fund (\$2.7 million) as a result of reduction in debt service.

The changes in net assets displayed subsequently shows the governmental and business-type activities during the previous two fiscal years. The increase in net assets for each year represents the extent to which revenues exceeded expenses during the year.

Durham County's Changes in Net Assets
(in millions)

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Totals</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
Revenues:						
Program revenues:						
Charges for services	\$170.5	\$158.8	\$226.1	\$211.3	\$396.6	\$370.1
Operating grants and contributions	158.0	176.1	—	—	158.0	176.1

Illustrative Financial Statements

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	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Capital grants and contributions	63.9	48.9	19.2	25.6	831	74.5
General revenues:						
Ad valorem taxes	570.2	654.0	—	—	570.2	654.0
Other taxes	118.2	121.9	175.8	147.7	294.0	296.6
State shared	152.6	142.7	—	—	152.6	142.7
Interest	8.1	14.1	2.0	5.3	10.1	19.4
Other	11.0	34.2	6.8	6.6	17.8	40.8
Total revenues	<u>1,252.5</u>	<u>1,350.7</u>	<u>429.9</u>	<u>396.5</u>	<u>1,682.4</u>	<u>1,747.2</u>
Expenses:						
General government	220.7	210.7	—	—	220.7	210.7
Public safety	506.9	521.3	—	—	506.9	521.3
Physical environment	67.2	68.3	—	—	67.2	68.3
Transportation	194.5	181.3	—	—	194.5	181.3
Economic environment	45.5	40.0	—	—	45.5	40.0
Human services	125.2	127.2	—	—	125.2	127.2
Culture and recreation	66.4	70.9	—	—	66.4	70.9
Interest on long-term debt	21.8	24.6	—	—	21.8	24.6
Convention Center	—	—	196.5	183.0	196.5	183.0
Solid Waste System	—	—	16.7	21.0	16.7	21.0
Water Utilities System	—	—	170.8	170.8	170.8	170.8
Total expenses	<u>1,248.2</u>	<u>1,244.3</u>	<u>384.0</u>	<u>374.8</u>	<u>1,632.2</u>	<u>1,619.1</u>
Increase in net assets before transfers	4.3	106.4	45.9	21.7	50.2	128.1
Transfers in (out)	8.5	4.4	(8.5)	(4.4)	—	—
Increase in net assets	<u>12.8</u>	<u>110.8</u>	<u>37.4</u>	<u>17.3</u>	<u>50.2</u>	<u>128.1</u>
Net assets, beginning of year	3,892.4	3,781.6	1,761.9	1,708.5	5,654.3	5,590.1
Restatements	—	—	—	36.1	—	36.1
Net assets, beginning of year as restated	<u>3,892.4</u>	<u>3,781.6</u>	<u>1,761.9</u>	<u>1,744.6</u>	<u>5,654.3</u>	<u>5,526.2</u>
Net assets, end of year	<u>\$3,905.2</u>	<u>\$3,892.4</u>	<u>\$1,799.3</u>	<u>\$1,761.9</u>	<u>\$5,704.5</u>	<u>\$5,654.3</u>

Overall revenues decreased by \$56.9 million, or 3.3 percent, compared to last fiscal year. Ad valorem taxes were down \$83.8 million, due to a reduction in taxable assessed value. Other tax revenues were up \$24.4 million from last fiscal year, primarily due to an increase in tourism and a corresponding increase in Tourist Development Tax. State Shared Taxes, largely consisting of sales tax, was up \$9.9 million. Investment interest income decreased by \$9.3 million compared to the prior year, due to reduced interest rates and investment in a conservative asset mix. Program revenues experienced an overall increase of \$24.9 million, which is mainly attributable to a slight increase in the economy and construction industry, increased Convention Center bookings, increased water and wastewater rates and Water Utilities consumption.

Total expenses increased by \$16.6 million in comparison to last fiscal year. This is mainly due to the increase in Tourist Development Taxes and subsequent required payments to other agencies which are based on Tourist Development Tax collections.

Financial Analysis of Durham County's Funds

.07 As noted earlier, Durham County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of September 30, 2011, Durham County governmental funds reported combined fund balances of \$903.0 million, a decrease of \$25.1 million compared with the prior year balances. Approximately 12 percent of this total amount (\$106.9 million) constitutes unassigned fund balance, which is available for spending at the County's discretion. The remainder of fund balance falls into the categories of either not in spendable form, restricted, committed or assigned. These categories indicate that the funds are not available for new spending because they have already been designated for a specific purpose either by action of the County, statutory or debt based requirements.

The General Fund is the chief operating fund of the County. At September 30, 2011, total fund balance in the General Fund was \$121.3 million, of which \$106.9 million was unassigned. As a measure of the General Fund's liquidity, the total and unassigned fund balance amounts equate to approximately 18 percent and 16 percent of total fund expenditures and transfers out, respectively. The fund balance of the General Fund decreased by \$24.8 million during the current fiscal year due to a decrease in ad valorem tax revenues.

The Fire Protection MSTU special revenue fund has a total committed fund balance of \$52.5 million. This fund balance decreased \$10.0 million during the current fiscal year due to a decrease in ad valorem tax revenues.

The Sales Tax Trust debt service fund has a total fund balance of \$183.9 million, of which \$50.0 million is reserved for payment of debt service. The \$23.6 million increase in fund balance for the year is the result of increase sales tax revenue and management's decision to delay budgeted interfund transfers in order to conserve funds for future needs.

Proprietary funds. The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in greater detail. At September 30, 2011, total net assets amounted to \$1,799.3 million for enterprise funds, as compared to \$1,761.9 million at September 30, 2010. Total net assets of the Convention Center fund of \$527.0 million recognized a \$26.1 million increase for the year, largely due to growth in tourism. Tourist development tax collections increased in 2011 by \$28.1 million offset by an additional \$2.9 million in operating expenses as compared with the prior year.

Total net assets of the Solid Waste System amounted to \$116.5 million at the end of the fiscal year, representing a \$12.5 million increase from the prior year amount of \$104.0 million. This was almost entirely due to operating activities. Operating expenditures experienced a decrease of \$5.8 million or approximately 38 percent due primarily to a reduction in closure costs compared with the prior year. Unrestricted net assets stand at \$11.9 million, and the System continues to have no outstanding bonded debt.

The Water Utilities System total net assets fell by \$1.1 million during the year, to \$1,155.8 million from \$1,156.9 million. The largest portion of System net assets (89.4 percent) reflects its investment in capital assets, less any related outstanding debt used to acquire those assets. Unrestricted net assets of the System decreased by \$12.4 million to \$91.3 million from a balance of \$103.7 million the previous year, largely due to operating and capital activities.

General Fund Budgetary Highlights

.08 A budget to actual statement is provided for the General Fund. Columns for both the original budget adopted for fiscal year 2011 as well as the final budget are presented. During the year, the budget for fund balance brought forward from the prior year was increased by \$18.9 million to more closely reflect the final

actual amount. Revenue budgets were decreased for charges for services, with increases as well in budgets for current expenditures and increases in the budgetary reserve for contingencies.

Budgeted taxes revenue represents the full levy of property taxes for the year, whereas actual results reflect early payment discounts allowed by State statute. Negative revenue variances totaling approximately \$15.7 million were more than fully offset by the legally-mandated statutory deduction. Expenditures for general government, public safety, economic environment and human services were under budget by a total of \$44.1 million due to conservative spending practices. During the year, overall revenues exceeded the total budgetary estimate and actual expenditures were less than budgetary estimates in every category.

Capital Asset and Debt Administration

.09 Capital assets. Durham County's investment in capital assets for its governmental and business-type activities as of September 30, 2011 amounts to \$5,747.3 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, improvements other than buildings, infrastructure, machinery and equipment, and intangible items. The overall net increase in the County's capital assets for the current fiscal year was 0.62 percent (increases of 0.48 percent for governmental activities and 0.82 percent for business-type activities for the year). Major capital asset events in the current year included the following:

- Approximately 57 road widening and extension projects were continued or completed at a combined cost of \$30.0 million during the fiscal year.
- Capital assets valued at \$46.9 million were received as capital contributions—\$39.6 million for governmental activities and \$7.3 million for business-type activities.
- At fiscal year-end, the County had outstanding construction contracts for various projects totaling approximately \$138 million.

	Durham County Capital Assets (Net) (in millions)					
	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
Nondepreciable assets:						
Land	\$1,060.4	\$1,054.5	\$230.8	\$229.7	\$1,291.2	\$1,284.2
Construction in progress	233.7	216.3	149.2	257.8	382.9	474.1
Depreciable assets:						
Buildings and improvements	540.2	548.0	1,006.3	1,031.0	1,546.5	1,579.0
Improvements other than buildings	—	—	888.8	736.1	888.8	736.1
Infrastructure	1,469.7	1,466.2	—	—	1,469.7	1,466.2
Machinery and equipment	88.3	108.3	37.7	41.1	126.0	149.4
Intangibles	22.0	4.6	20.2	18.3	42.2	22.9
Total capital assets	<u>\$3,414.3</u>	<u>\$3,397.9</u>	<u>\$2,333.0</u>	<u>\$2,314.0</u>	<u>\$5,747.3</u>	<u>\$5,711.9</u>

Additional information on the County's capital assets can be found in note E in the notes section of this report.

Long-term debt. At the end of the current fiscal year, Durham County had total bonded debt outstanding (net of unamortized costs) of \$1,244.4 million, entirely comprised of debt that is secured solely by specified revenue sources (that is, revenue bonds). Of these revenue bonds, \$837.7 million, or 67 percent, is secured by the first five cents of the County's tourist development tax levy for the financing of the various expansion phases of the Durham County Convention Center.

**Durham County Outstanding Debt
Revenue Bonds
(in millions)**

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
Revenue bonds	<u>\$396.2</u>	<u>\$415.3</u>	<u>\$848.2</u>	<u>\$877.9</u>	<u>\$1,244.4</u>	<u>\$1,293.2</u>

The County's total bonded debt decreased by \$48.8 million during the 2011 fiscal year—\$19.1 million for governmental activities bonds, and \$29.7 million for the business-type activities. The reductions were associated with principal payments on maturing debt obligations.

As of September 30, 2011, the County had no outstanding general obligation debt. Capacity for pledging existing revenue sources is still available with respect to public service taxes, sales tax revenue, state revenue sharing revenue, tourist development tax revenue, gas tax revenue, and utility systems revenue, as well as property taxes. Bonds backed by any of these sources, with the exception of property taxes, could still be issued and would not require voter approval. Any property tax bonds would be a general obligation issue requiring voter approval.

Additional information on the County's bonded debt and other long-term liabilities can be found in notes K–N in the notes section of this report.

Economic Factors and Next Year's Budgets and Rates

.10

- The unemployment rate for Durham County decreased to 10.1 percent from a rate of 11.6 percent a year ago. This is slightly better than the state's average unemployment rate of 10.6 percent but higher than the national average of 9.0 percent at September 30, 2011.
- Taxable property valuation decreased approximately 12.6 percent from \$95.6 billion in 2010 to \$83.6 billion in 2011.
- Countywide taxable sales increased from \$29.8 billion in 2010 to \$32.1 billion in 2011.
- Countywide motor fuel sales decreased from 674 million gallons in 2010 to 661 million gallons in 2011.

All of these factors were considered in preparing the County's budget for the 2012 fiscal year.

During the year ended September 30, 2011, unassigned fund balance in the General Fund decreased to \$106.9 million. The County has appropriated this amount in the 2012 fiscal year budget in accordance with the requirements of State statute. Property tax rates remain unchanged for the 2012 fiscal year, however, they have been affected in recent years as follows.

In 2007, the State Legislature adopted property tax limiting legislation that impacted all counties, cities, and special districts. This action imposed statutory changes on how property tax millage rates are adopted, and it resulted in Durham County adopting rates in the 2008 fiscal year that were 5 percent below the roll-back rate (except for Fire/EMS at 3 percent). Going forward, annual millage rates may be levied up to the roll-back rate or to a rate approximating the roll-back rate based on certain allowed adjustments. Rate increases beyond such limitations require either a super-majority or unanimous vote of the governing body, depending on the magnitude of the increase.

This legislative action also placed a constitutional amendment on the ballot, which was approved by voters in January 2008. Referred to as "Amendment 1," it made 4 changes affecting taxable assessed value. First, with respect to homestead property, it increased the current \$25,000 homestead exemption by another \$25,000 (for property values between \$50,000 and \$75,000), except for school district taxes. Second, Amendment 1 allows property owners to transfer (make portable) up to \$500,000 of their "Save Our Homes" benefits

to their next homestead when they move. "Save Our Homes," a 1995 amendment to the State Constitution, limits the annual increase in assessed value for homestead property to the lesser of 3 percent or the percentage change in the Consumer Price Index. Third, the amendment limits the annual increase in assessed value for nonhomestead property (businesses, industrial property, rental property, second homes) to 10 percent, except for school district taxes. And fourth, it provides a \$25,000 exemption for tangible personal property. Amendment 1 was effective for property taxes collected for the 2009 fiscal year, except for the 10 percent assessment cap on nonhomestead property, which became effective for the 2010 fiscal year.

For the 2011 and 2012 fiscal years, the County's property tax millage rate levies remained unchanged from the reduced rates adopted in 2008. However, for fiscal year 2011, taxable assessed values decreased by 12.6 percent from 2010, and this trend continued with the 2012 taxable assessed values being decreased by 2.4 percent from 2011. Based on the revised statutory methodology and this drop in assessed values, the County's "roll-back" millage rate for fiscal year 2011 was about 15 percent higher than the actual rate adopted, and the maximum rate allowed with a simple majority vote was about 21 percent higher than the "roll-back" rate. Due to the continued weakened economy, the County chose to reduce its budget for fiscal year 2012 rather than upwardly adjust property tax millage rates to compensate for the reduction in taxable values. Thus, under the provisions of the 2007 legislation, the County retains the option for millage rate adjustments in future fiscal years that could mitigate reductions in property tax receipts due to reduced assessed values, without the requirement of a super-majority vote.

As for the County's business-type activities, the Water Utilities System automatic three percent rate increase for all categories of the water and wastewater rate schedules was allowed to occur for fiscal year 2011, but was repealed for fiscal year 2012. In the Solid Waste System, a phased approach for tipping fee increases began with 6.5 percent and 39.5 percent increases for Class I and Class III refuse in December 2008, respectively, continued with 6.5 percent increases in Class I and Class III tipping fees in December 2009, and finished with an additional 6.5 percent increase in Class I tipping fees in December 2010. Further, automatic annual increases of three percent for all tipping fee categories are scheduled to begin in October 2012.

Requests for Information

.11 This financial report is designed to provide a general overview of Durham County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Martha O. Haynie, County Comptroller, Post Office Box 38, Durham, State 32802-0038. Complete financial statements for each of the individual component units may be obtained at each respective administrative office as reflected in note A on page 37 of this report.

Basic Financial Statements

Government-wide Financial Statements

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DURHAM COUNTY, FLORIDA
STATEMENT OF NET ASSETS
September 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Component Units
ASSETS			
Cash and cash equivalents	\$1,031,036,948	\$211,842,730	\$12,011,209
Investments	29,586,660	—	15,825,363
Receivables, net	37,694,745	43,459,215	291,540
Internal balances	(70,000)	70,000	—
Due from other governmental agencies	46,613,220	2,120,995	154,363
Inventories and prepaid costs	11,983,272	6,915,903	43,993
Restricted assets	—	180,905,122	569,263,411
Net OPEB assets	7,610,802	—	—
Nondepreciable capital assets	1,294,108,103	380,074,411	8,480,517
Depreciable capital assets, net	2,120,228,798	1,952,957,383	9,727,845
Total assets	\$4,578,792,548	\$2,778,345,759	\$615,798,241
LIABILITIES			
Accounts payable and accrued liabilities	\$89,017,911	\$31,192,384	\$4,066,401
Due to other governmental agencies	3,872,981	11,475,134	124,366
Unearned revenue	1,224,027	6,151,055	175,637
Accrued interest payable	9,935,891	21,344,839	1,837,222
Customer deposits	—	7,257,083	—
Long-term liabilities:			
Portion due within one year	98,245,456	36,173,274	930,000
Portion due after one year	469,806,885	865,409,685	532,246,075
Net pension and OPEB obligations	1,519,380	—	—
Total liabilities	673,622,531	979,003,454	539,379,701

(continued)

	Primary Government		
	Governmental Activities	Business-type Activities	Total Component Units
NET ASSETS			
Invested in capital assets, net of related debt	2,990,287,347	1,462,252,701	4,452,540,048
Restricted for:			
Debt service	79,104,184	105,640,810	184,744,994
General government	10,518,454	—	10,518,454
Public safety	39,780,868	—	39,780,868
Physical environment	10,842,499	30,624,537	41,467,036
Transportation	168,352,581	—	168,352,581
Economic environment	34,454,478	16,037,853	50,492,331
Human services	490,279	—	490,279
Culture and recreation	10,605,445	—	10,605,445
Unrestricted	560,733,882	184,786,404	745,520,286
Total net assets	<u>3,905,170,017</u>	<u>1,799,342,305</u>	<u>5,704,512,322</u>
Total liabilities and net assets	<u>\$4,578,792,548</u>	<u>\$2,778,345,759</u>	<u>\$7,357,138,307</u>

See accompanying notes to the financial statements.

DURHAM COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
for the year ended September 30, 2011

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
						Governmental Activities	Business-type Activities	Component Units
Primary government:								
Governmental activities:								
General government	\$242,838,346	\$(22,095,496)	\$52,446,514	\$33,260,639	\$16,224,338	\$(118,811,359)	\$ —	\$ —
Public safety	499,771,004	7,191,177	47,755,637	15,702,394	1,401,543	(442,102,607)	—	(442,102,607)
Physical environment	67,424,052	111,901	52,604,457	5,758,578	—	(9,172,918)	—	(9,172,918)
Transportation	190,687,884	3,815,087	11,320,009	15,215,193	44,925,920	(123,041,849)	—	(123,041,849)
Economic environment	45,530,719	—	—	37,600,315	—	(7,930,404)	—	(7,930,404)
Human services	125,221,595	—	1,489,097	49,292,296	—	(74,440,202)	—	(74,440,202)
Culture and recreation	63,442,886	2,943,156	4,887,121	1,138,644	1,709,903	(58,650,374)	—	(58,650,374)
Interest on long-term debt	21,770,431	—	—	—	—	(21,770,431)	—	(21,770,431)
Total governmental activities	1,256,686,917	(8,034,175)	170,502,835	157,968,059	64,261,704	(855,920,144)	—	(855,920,144)
Business-type activities:								
Convention Center	194,205,521	2,216,786	47,019,525	—	—	—	(149,402,782)	(149,402,782)
Solid Waste System	15,840,112	848,101	27,399,187	—	—	—	10,710,974	10,710,974
Water Utilities System	165,870,486	4,969,288	151,643,665	—	19,221,442	—	25,333	25,333
Total business-type activities	375,916,119	8,034,175	226,062,377	—	19,221,442	—	(138,666,475)	(138,666,475)
Total primary government	\$1,632,603,036	\$ —	\$396,565,212	\$157,968,059	\$83,483,146	\$(855,920,144)	\$(138,666,475)	\$ (994,586,619)

(continued)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Primary Government			Component Units	
				Capital Grants and Contributions	Governmental Activities	Business-type Activities		Total
Component units	\$38,964,416	\$37,330,279	\$2,424,524	\$—	\$—	\$—	\$—	\$790,387

See accompanying notes to financial statements.

Fund Financial Statements

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**DURHAM COUNTY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2011**

	<i>Major Funds</i>				<i>Other Governmental Funds</i>	<i>Totals</i>
	<i>General</i>	<i>Fire Protection MSTU</i>	<i>Sales Tax Trust</i>			
ASSETS						
Cash and cash equivalents	\$145,318,413	\$53,689,681	\$154,862,363		\$551,285,058	\$905,155,515
Investments	—	—	8,799,472		19,353,325	28,152,797
Receivables:						
Taxes	—	—	—		9,834,140	9,834,140
Accounts	975,229	15,773,928	—		454,181	17,203,338
Notes and loans	—	—	—		11,319,857	11,319,857
Special assessments	—	—	—		145,883	145,883
Accrued interest	649,355	231,415	258,422		1,411,569	2,550,761
Less allowance for doubtful accounts	(7,164)	(6,058,395)	—		(929,073)	(6,994,632)
Due from other funds	5,611,835	1,167,378	—		2,082,308	8,861,521
Due from other governmental agencies	1,897,696	69,074	20,021,831		24,013,744	46,002,345
Inventories	—	—	—		299,161	299,161
Assets held for resale	—	—	—		9,557,175	9,557,175
Deposits and prepaid costs	467,616	—	—		757,823	1,225,439
Advances to other funds	3,200,000	—	—		—	3,200,000
Total assets	<u>\$158,112,980</u>	<u>\$64,873,081</u>	<u>\$183,942,088</u>		<u>\$629,585,151</u>	<u>\$1,036,513,300</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$31,539,041	\$4,623,442	\$		\$49,484,820	\$85,647,303
Matured bonds and notes payable	—	—	—		10,100,373	10,100,373
Matured interest payable	—	—	—		6,314,593	6,314,593
Due to other funds	2,593,948	—	—		6,643,797	9,237,745
Due to other governmental agencies	1,122,256	—	—		2,750,726	3,872,982
Due to individuals	898,351	—	—		47,236	945,587
Deferred revenue	687,498	7,739,410	—		5,798,131	14,225,039
Advances from other funds	—	—	—		3,200,000	3,200,000
Total liabilities	<u>36,841,094</u>	<u>12,362,852</u>	<u>—</u>		<u>84,339,676</u>	<u>133,543,622</u>

(continued)

	Major Funds			Other Governmental Funds	Totals
	General	Fire Protection MSTU	Sales Tax Trust		
Fund balances:					
Nonspendable	3,667,616	—	—	1,338,867	5,006,483
Restricted	2,565,476	—	50,030,877	271,046,861	323,643,214
Committed	9,856	52,510,229	—	181,965,656	234,485,741
Assigned	8,113,540	—	133,911,211	90,896,021	232,920,772
Unassigned	106,915,398	—	—	(1,930)	106,913,468
Total fund balances	<u>121,271,886</u>	<u>52,510,229</u>	<u>183,942,088</u>	<u>545,245,475</u>	<u>902,969,678</u>
Total liabilities and fund balances	<u>\$158,112,980</u>	<u>\$64,873,081</u>	<u>\$183,942,088</u>	<u>\$629,585,151</u>	<u>\$1,036,513,300</u>

See accompanying notes to financial statements.

DURHAM COUNTY, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
September 30, 2011

Total fund balances for governmental funds						\$902,969,678
Total net assets reported for governmental activities in the statement of net assets is different because:						
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:						
Land					\$1,060,406,931	
Construction in progress					233,701,172	
Buildings and improvements, net of \$229,125,096 accumulated depreciation					540,149,130	
Infrastructure, net of \$703,661,835 accumulated depreciation					1,469,712,176	
Machinery and equipment, net of \$261,457,697 accumulated depreciation					88,322,403	
Intangibles, net of \$22,470,763 accumulated depreciation					22,045,089	
Total capital assets, net						3,414,336,901
2. The net OPEB assets resulting from contributions in excess of the annual required contribution in previous years are not financial resources and therefore are not reported in the funds.					3,414,336,901	
3. The net pension and OPEB obligations resulting from contributions in amounts less than the annual required contribution in previous years are not due and payable in the current period and therefore are not reported in the funds.					7,610,802	
4. Internal service funds are used by management to charge costs associated with risk management, fleet maintenance, and employee medical benefits. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. Internal service fund net assets, net of amounts for capital assets accounted for in item 1 above, are:					(1,519,380)	
5. Amounts to be collected under long-term receivables are not available to pay for the current period's expenditures, and therefore are reported as deferred in the funds.					75,377,424	
					13,001,012	

(continued)

6. Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities, except for portions payable early in the following year for which sufficient resources have been accumulated in the funds to liquidate the liabilities. These liabilities (net of portions accounted for in internal service funds) consist of:

Bonds payable (net of unamortized costs, and net of \$10,100,373 reported as fund liabilities)
 Accreted interest payable
 Notes payable
 Capital leases
 Compensated absences (net of \$479,664 in internal service funds)
 Landfill closure costs payable

(386,140,170)
 (25,147,788)
 (15,395,000)
 (204,460)
 (70,297,046)
 (5,800,658)

(502,985,122)

7. Interest payable on long-term debt is not accrued in governmental funds; rather, it is recognized as an expenditure when due. These liabilities are reported in the statement of net assets.

(3,621,298)

Total net assets of governmental activities

\$3,905,170,017

3,905,170,017

See accompanying notes to financial statements.

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FSP \$13,400.16

DURHAM COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
for the year ended September 30, 2011

	Major Funds				Totals
	Fire Protection			Other Governmental Funds	
	General	MSTU	Sales Tax Trust		
Revenues:					
Taxes	\$329,193,050	\$97,592,596	\$ —	\$261,608,312	\$688,393,958
Special assessments	—	—	—	84,977	84,977
Licenses and permits	606,506	936,966	—	8,958,668	10,502,140
Intergovernmental	32,325,348	430,209	124,823,259	147,966,990	305,545,806
Charges for services	72,124,000	13,586,968	—	110,559,405	196,270,373
Fines and forfeitures	434,652	—	—	5,404,028	5,838,680
Interest	2,763,909	725,810	302,291	3,728,242	7,520,252
Miscellaneous	7,698,632	484,614	125	8,154,555	16,337,926
Total revenues	445,146,097	113,757,163	125,125,675	546,465,177	1,230,494,112
Expenditures:					
Current:					
General government	197,780,244	—	—	17,639,980	215,420,224
Public safety	343,254,722	124,946,736	—	26,119,153	494,320,611
Physical environment	6,797,194	—	—	62,777,093	69,574,287
Transportation	32,864,403	—	—	116,755,932	149,620,335
Economic environment	2,809,500	—	—	44,196,236	47,005,736
Human services	74,910,791	—	—	49,600,961	124,511,752
Culture and recreation	3,177,658	—	—	58,187,764	61,365,422
Capital outlay:					
General government	—	—	—	7,064,335	7,064,335
Public safety	—	—	—	16,637,568	16,637,568
Physical environment	—	—	—	1,889,277	1,889,277
Transportation	—	—	—	45,832,434	45,832,434
Human services	—	—	—	41,240	41,240
Culture and recreation	—	—	—	1,605,049	1,605,049
					(continued)

(continued)

	<i>Major Funds</i>				<i>Totals</i>
	<i>General</i>	<i>Fire Protection MSTU</i>	<i>Sales Tax Trust</i>	<i>Other Governmental Funds</i>	
Debt service:					
Principal retirement	1,342,566	—	9,075,000	12,213,893	22,631,459
Interest and fiscal charges	16,736	—	14,694,634	8,597,778	23,309,148
Total expenditures	<u>662,953,814</u>	<u>124,946,736</u>	<u>23,769,634</u>	<u>469,158,693</u>	<u>1,280,828,877</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(217,807,717)</u>	<u>(11,189,573)</u>	<u>101,356,041</u>	<u>77,306,484</u>	<u>(50,334,765)</u>
Other financing sources (uses):					
Transfers in	209,629,976	1,155,405	—	103,120,283	313,905,664
Transfers out	(17,901,953)	—	(77,754,679)	(209,712,464)	(305,369,096)
Issuance of capital lease debt	1,258,387	—	—	—	1,258,387
Long-term debt issued	—	—	—	15,395,000	15,395,000
Total other financing sources (uses)	<u>192,986,410</u>	<u>1,155,405</u>	<u>(77,754,679)</u>	<u>(91,197,181)</u>	<u>25,189,955</u>
Net change in fund balances	(24,821,307)	(10,034,168)	23,601,362	(13,890,697)	(25,144,810)
Fund balances, October 1, 2010, as restated	<u>146,093,193</u>	<u>62,544,397</u>	<u>160,340,726</u>	<u>559,136,172</u>	<u>928,114,488</u>
Fund balances, September 30, 2011	<u>\$121,271,886</u>	<u>\$52,510,229</u>	<u>\$183,942,088</u>	<u>\$545,245,475</u>	<u>\$902,969,678</u>

See accompanying notes to financial statements.

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**DURHAM COUNTY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
for the year ended September 30, 2011**

Total net change in fund balances for governmental funds		\$(25,144,810)
The change in net assets reported for governmental activities in the statement of activities is different because:		
1. Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$88,893,153) exceeds capital outlay (\$82,366,316) in the current period, excluding amounts recorded in the internal service funds.		(6,526,837)
2. Donations of capital assets increase net assets in the statement of activities, but are not reported in the governmental funds because they are not financial resources.		39,630,688
3. In the statement of activities, a gain or loss on sales, trade-ins, or other dispositions of capital assets is reported, whereas in the governmental funds, the proceeds received from dispositions of capital assets increases financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of capital assets disposed.		(16,633,334)
4. Proceeds of certain long-term debt are reported as financing sources in governmental funds and thus contribute to the increase in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets. This is the amount by which payment of principal on this debt exceeds the proceeds from issuance of new debt.		
Bonds	\$19,175,373	
Notes	(13,281,480)	
Capital leases	84,178	
		5,978,071

5. Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are used. The net changes associated with these expenses/expenditures are as follows:

Compensated absences	5,297,863
Accrued/accreted interest	1,916,709
Amortization of bond costs	(377,992)
Closure costs	(57,432)
Net pension and OPEB assets/obligations	<u>(2,348,820)</u>

4,430,328

6. Under the modified accrual basis of accounting used in the governmental funds, revenues are not recognized until funds are measurable and available to finance current expenditures. In the statement of activities, however, which is presented on the accrual basis, revenues are reported regardless of when financial resources are available. This is the net adjustment to current year revenue in converting to the full accrual basis.

(1,081,667)

7. Internal service funds are used by management to charge costs associated with risk management, fleet maintenance, and employee medical benefits. In the statement of activities, the net revenue (expense) of internal service funds is reported with governmental activities.

12,122,962

Change in net assets of governmental activities

\$12,775,401

See accompanying notes to financial statements.

DURHAM COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE—BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
for the year ended September 30, 2011

	<i>Budget</i>			<i>Variance with Final Budget Positive (Negative)</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	
Revenues:				
Taxes	\$ 342,381,094	\$ 342,381,094	\$ 329,193,050	\$ (13,188,044)
Licenses and permits	616,150	616,150	606,506	(9,644)
Intergovernmental	34,339,838	34,339,838	32,325,348	(2,014,490)
Charges for services	70,385,920	67,931,107	72,124,000	4,192,893
Fines and forfeitures	513,176	513,176	434,652	(78,524)
Interest	3,182,572	3,182,572	2,763,909	(418,663)
Miscellaneous	6,057,966	6,179,466	7,698,632	1,519,166
Less statutory deduction	(20,402,225)	(20,285,234)	—	20,285,234
Total revenues	<u>437,074,491</u>	<u>434,858,169</u>	<u>445,146,097</u>	<u>10,287,928</u>
Expenditures:				
Current:				
General government	217,143,866	218,272,788	197,723,989	20,548,799
Public safety	353,226,735	355,502,929	342,052,590	13,450,339
Physical environment	7,548,239	7,554,739	6,797,194	757,545
Transportation	32,906,577	32,904,577	32,864,403	40,174
Economic environment	7,973,773	7,973,773	2,809,500	5,164,273
Human services	77,754,071	79,806,950	74,910,791	4,896,159
Culture and recreation	3,573,315	3,573,315	3,177,658	395,657
Reserve for contingencies	54,215,859	64,052,475	—	64,052,475
Debt service:				
Principal retirement	1,346,628	1,350,925	1,342,566	8,359
Interest and fiscal charges	15,207	16,742	16,736	6
Total expenditures	<u>755,704,270</u>	<u>771,009,213</u>	<u>661,695,427</u>	<u>109,313,786</u>

	<i>Budget</i>		<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
	<i>Original</i>	<i>Final</i>		
Excess (deficiency) of revenues over (under) expenditures	<u>(318,629,779)</u>	<u>(336,151,044)</u>	<u>(216,549,330)</u>	<u>119,601,714</u>
Other financing sources (uses):				
Transfers in	214,810,378	214,068,594	209,629,976	(4,438,618)
Transfers out	<u>(21,276,414)</u>	<u>(21,924,281)</u>	<u>(17,901,953)</u>	<u>4,022,328</u>
Total other financing sources (uses)	<u>193,533,964</u>	<u>192,144,313</u>	<u>191,728,023</u>	<u>(416,290)</u>
Net change in fund balance	(125,095,815)	(144,006,731)	(24,821,307)	119,185,424
Fund balance, October 1, 2010	<u>125,095,815</u>	<u>144,006,731</u>	<u>146,093,193</u>	<u>2,086,462</u>
Fund balance, September 30, 2011	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 121,271,886</u>	<u>\$ 121,271,886</u>

See accompanying notes to financial statements.

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DURHAM COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE—BUDGET AND ACTUAL
FIRE PROTECTION MSTU FUND
for the year ended September 30, 2011

	<i>Budget</i>			<i>Variance with Final Budget Positive (Negative)</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	
Revenues:				
Taxes	\$101,521,075	\$101,521,075	\$97,592,596	\$(3,928,479)
Licenses and permits	1,185,546	1,185,546	936,966	(248,580)
Intergovernmental	350,000	350,000	430,209	80,209
Charges for services	13,032,187	13,032,187	13,586,968	554,781
Interest	1,580,000	1,580,000	725,810	(854,190)
Miscellaneous	57,000	57,000	484,614	427,614
Less statutory deduction	(5,967,790)	(5,967,790)	—	5,967,790
Total revenues	<u>111,758,018</u>	<u>111,758,018</u>	<u>113,757,163</u>	<u>1,999,145</u>
Expenditures:				
Current:				
Public safety	143,913,356	155,120,570	124,946,736	30,173,834
Reserve for contingencies	31,328,616	20,811,845	—	20,811,845
Total expenditures	<u>175,241,972</u>	<u>175,932,415</u>	<u>124,946,736</u>	<u>50,985,679</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(63,483,954)</u>	<u>(64,174,397)</u>	<u>(11,189,573)</u>	<u>52,984,824</u>
Other financing sources:				
Transfers in	<u>1,630,000</u>	<u>1,630,000</u>	<u>1,155,405</u>	<u>(474,595)</u>
Total other financing sources	<u>1,630,000</u>	<u>1,630,000</u>	<u>1,155,405</u>	<u>(474,595)</u>
Net change in fund balance	(61,853,954)	(62,544,397)	(10,034,168)	52,510,229
Fund balance, October 1, 2010	<u>61,853,954</u>	<u>62,544,397</u>	<u>62,544,397</u>	<u>—</u>
Fund balance, September 30, 2011	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 52,510,229</u>	<u>\$ 52,510,229</u>

See accompanying notes to financial statements.

DURHAM COUNTY, FLORIDA
BALANCE SHEET
PROPRIETARY FUNDS
September 30, 2011

Business-type Activities—Enterprise Funds

	<i>Convention Center</i>	<i>Solid Waste System</i>	<i>Water Utilities System</i>	<i>Totals</i>	<i>Governmental Activities—Internal Service Funds</i>
ASSETS					
Current assets:					
Cash and cash equivalents	\$90,384,485	\$45,536,471	\$75,921,774	\$211,842,730	\$125,881,433
Investments	—	—	—	—	1,433,863
Receivables:					
Taxes	19,393,202	—	—	19,393,202	—
Accounts	802,561	2,778,538	15,709,694	19,290,793	3,346,260
Accrued interest	230,430	126,028	322,181	678,639	289,375
Note	275,000	—	—	275,000	—
Less allowance for doubtful accounts	(146,207)	(6,122)	(170,109)	(322,438)	(237)
Due from other funds	—	—	70,000	70,000	306,224
Due from other governmental agencies	—	—	2,120,995	2,120,995	610,875
Inventories and prepaid costs	—	349,777	2,843,265	3,193,042	901,497
Cash and cash equivalents, restricted	53,039,034	205,314	30,850,064	84,094,412	—
Total current assets	163,978,505	48,990,006	127,667,864	340,636,375	132,769,290

Noncurrent assets:					
Cash and cash equivalents, restricted	16,434,116	—	7,720,884	24,155,000	—
Investments, restricted	72,655,710	—	—	72,655,710	—
Accounts receivable	—	—	2,744,352	2,744,352	—
Prepaid costs	—	—	3,722,861	3,722,861	—
Note receivable	1,399,667	—	—	1,399,667	—
					(continued)

	<i>Business-type Activities—Enterprise Funds</i>				<i>Governmental Activities—Internal Service Funds</i>
	<i>Convention Center</i>	<i>Solid Waste System</i>	<i>Water Utilities System</i>	<i>Totals</i>	
Capital assets:					
Land	111,601,451	33,286,171	85,954,435	230,842,057	—
Construction in progress	20,441,694	3,842,898	124,947,762	149,232,354	138,775
Buildings and improvements	1,381,764,509	100,153,458	1,561,718,959	3,043,636,926	723,498
Machinery and equipment	26,638,808	28,573,541	73,562,716	128,775,065	1,532,918
Intangible	8,094,291	—	24,112,315	32,206,606	—
Less accumulated depreciation and amortization	(384,574,570)	(60,989,287)	(806,097,357)	(1,251,661,214)	(1,855,923)
Total capital assets	1,163,966,183	104,866,781	1,064,198,830	2,333,031,794	539,268
Total noncurrent assets	1,254,455,676	104,866,781	1,078,386,927	2,437,709,384	539,268
Total assets	\$1,418,434,181	\$153,856,787	\$1,206,054,791	\$2,778,345,759	\$133,308,558

See accompanying notes to the financial statements.

DURHAM COUNTY, FLORIDA
BALANCE SHEET, Continued
PROPRIETARY FUNDS
September 30, 2011

	<i>Business-type Activities—Enterprise Funds</i>				<i>Governmental Activities—Internal Service Funds</i>
	<i>Convention Center</i>	<i>Solid Waste System</i>	<i>Water Utilities System</i>	<i>Totals</i>	
<u>LIABILITIES AND FUND EQUITY</u>					
<u>Current liabilities:</u>					
Accounts payable and accrued liabilities	\$14,864,509	\$ 1,801,858	\$ 19,832,537	\$ 36,498,904	\$ 2,757,394
Claims payable	—	—	—	—	17,362,389
Due to other governmental agencies	11,074,286	—	400,848	11,475,134	—
Unearned revenue	6,151,055	—	—	6,151,055	—
Landfill closure costs	—	374,277	—	374,277	—
Payable from restricted assets:					
Accrued interest payable	21,039,889	—	304,950	21,344,839	—
Loan payable	—	—	507,477	507,477	—
Revenue bonds payable	29,985,000	—	—	29,985,000	—
Customer deposits	—	205,314	7,051,769	7,257,083	—
Total current liabilities	83,114,739	2,381,449	28,097,581	113,593,769	20,119,783
<u>Noncurrent liabilities:</u>					
Compensated absences payable	690,091	162,986	1,748,317	2,601,394	147,290
Claims payable	—	—	—	—	37,124,793
Loan payable	—	—	9,826,535	9,826,535	—
Revenue bonds payable (net of unamortized costs)	807,675,133	—	10,566,819	818,241,952	—
Landfill closure costs	—	34,739,804	—	34,739,804	—
Total noncurrent liabilities	808,365,224	34,902,790	22,141,671	865,409,685	37,272,083
Total liabilities	891,479,963	37,284,239	50,239,252	979,003,454	57,391,866

(continued)

	<i>Business-type Activities—Enterprise Funds</i>				<i>Governmental Activities—Internal Service Funds</i>
	<i>Convention Center</i>	<i>Solid Waste System</i>	<i>Water Utilities System</i>	<i>Totals</i>	
Net assets:					
Invested in capital assets, net of related debt	324,208,536	104,709,731	1,033,334,434	1,462,252,701	539,268
Restricted for:					
Debt service	105,051,118	—	589,692	105,640,810	—
Contractual obligations	16,037,853	—	30,624,537	46,662,390	—
Unrestricted	81,656,711	11,862,817	91,266,876	184,786,404	75,377,424
Total net assets	<u>526,954,218</u>	<u>116,572,548</u>	<u>1,155,815,539</u>	<u>1,799,342,305</u>	<u>75,916,692</u>
Total liabilities and net assets	<u>\$1,418,434,181</u>	<u>\$153,856,787</u>	<u>\$1,206,054,791</u>	<u>\$ 2,778,345,759</u>	<u>\$ 133,308,558</u>

See accompanying notes to the financial statements.

DURHAM COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
for the year ended September 30, 2011

	<i>Business-type Activities—Enterprise Funds</i>				<i>Governmental Activities—Internal Service Funds</i>
	<i>Convention Center</i>	<i>Solid Waste System</i>	<i>Water Utilities System</i>	<i>Totals</i>	
Operating revenues:					
Charges for services	\$47,019,525	\$27,399,187	\$151,643,665	\$226,062,377	\$138,422,102
Miscellaneous	1,088,560	1,583,387	3,599,226	6,271,173	6,052,840
Total operating revenues	48,108,085	28,982,574	155,242,891	232,333,550	144,474,942
Operating and maintenance expenses:					
Personal services	25,389,196	6,986,238	42,584,145	74,959,579	4,508,465
Contractual services	7,546,880	2,636,864	27,379,031	37,562,775	8,131,137
Materials and supplies	1,842,087	1,915,194	5,219,890	8,977,171	11,234,184
Utilities	11,773,655	311,907	12,540,592	24,626,154	125,401
Repairs and maintenance	6,923,842	1,943,753	11,996,948	20,864,543	169,995
Provision for landfill closure costs	—	(5,250,591)	—	(5,250,591)	—
Liability claims and expenses	—	—	—	—	36,809,132
Health and life insurance expenses	—	—	—	—	71,427,719
Other expenses	5,887,277	751,069	4,851,702	11,490,048	460,481
Total operating and maintenance expenses	59,362,937	9,294,434	104,572,308	173,229,679	132,866,514
Operating income (loss) before depreciation and amortization	(11,254,852)	19,688,140	50,670,583	59,103,871	11,608,428
Depreciation and amortization	31,523,389	7,393,479	63,951,185	102,868,053	98,493
Operating income (loss)	(42,778,241)	12,294,661	(13,280,602)	(43,764,182)	11,509,935

(continued)

	<i>Business-type Activities—Enterprise Funds</i>				<i>Governmental Activities—Internal Service Funds</i>
	<i>Convention Center</i>	<i>Solid Waste System</i>	<i>Water Utilities System</i>	<i>Totals</i>	
Nonoperating revenues (expenses):					
Tourist development tax	175,854,576	—	—	175,854,576	—
Interest revenue	791,989	235,401	1,001,627	2,029,017	613,027
Interest expense and fiscal charges	(40,259,464)	(300)	(315,519)	(40,575,283)	—
Gain (loss) on disposal of assets	(376,950)	634	(2,000,762)	(2,377,078)	—
Payments to other agencies	(63,322,270)	—	—	(63,322,270)	—
Amortization of bond issuance costs	(492,811)	—	—	(492,811)	—
Tax collection expense	(1,084,486)	—	—	(1,084,486)	—
Federal and state grants	—	—	537,174	537,174	—
Total net nonoperating revenues (expenses)	71,110,584	235,735	(777,480)	70,568,839	613,027
Income (loss) before contributions and transfers	28,332,343	12,530,396	(14,058,082)	26,804,657	12,122,962
Capital contributions	—	—	19,221,442	19,221,442	—
Transfers out	(2,236,568)	—	(6,300,000)	(8,536,568)	—
Change in net assets	26,095,775	12,530,396	(1,136,640)	37,489,531	12,122,962
Total net assets, October 1, 2010, as restated	500,858,443	104,042,152	1,156,952,179	1,761,852,774	63,793,730
Total net assets, September 30, 2011	\$526,954,218	\$116,572,548	\$1,155,815,539	\$1,799,342,305	\$75,916,692

See accompanying notes to the financial statements.

DURHAM COUNTY, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
for the year ended September 30, 2011

	<i>Business-type Activities—Enterprise Funds</i>				<i>Governmental Activities—Internal Service Funds</i>
	<i>Convention Center</i>	<i>Solid Waste System</i>	<i>Water Utilities System</i>	<i>Totals</i>	
Cash flows from operating activities:					
Cash received from customers	\$45,741,259	\$27,657,212	\$154,459,791	\$227,858,262	\$138,517,361
Cash payments to suppliers for goods and services	(32,643,959)	(17,181,502)	(55,741,535)	(105,566,996)	(129,396,659)
Cash payments to employees for services	(25,554,102)	(7,144,421)	(42,798,841)	(75,497,364)	(4,538,337)
Other operating receipts	1,088,560	—	—	1,088,560	6,466,956
Program loans	276,050	—	—	276,050	—
Net cash provided (used) by operating activities	(11,092,192)	3,331,289	55,919,415	48,158,512	11,049,321
Cash flows from noncapital financing activities:					
Tourist development tax received	166,445,176	—	—	166,445,176	—
Payments to other agencies	(52,886,589)	—	—	(52,886,589)	—
Transfers out	(2,236,568)	—	(6,300,000)	(8,536,568)	—
Tax collection fees paid	(1,084,486)	—	—	(1,084,486)	—
Net cash provided (used) by noncapital financing activities	110,237,533	—	(6,300,000)	103,937,533	—
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(10,654,017)	(6,255,841)	(68,047,662)	(84,957,520)	(88,183)
					(continued)

	<i>Business-type Activities—Enterprise Funds</i>				<i>Governmental Activities—Internal Service Funds</i>
	<i>Convention Center</i>	<i>Solid Waste System</i>	<i>Water Utilities System</i>	<i>Totals</i>	
Principal paid on long-term debt	(29,285,000)	—	(564,649)	(29,849,649)	—
Interest and fees paid on long-term debt	(39,295,160)	—	(850,656)	(40,145,816)	—
Capital contributions	—	—	11,961,025	11,961,025	—
Proceeds from capital grant	—	—	537,174	537,174	—
Proceeds from disposition of assets	26,837	646	187,471	214,954	—
Net cash used by capital and related financing activities	<u>(79,207,340)</u>	<u>(6,255,195)</u>	<u>(56,777,297)</u>	<u>(142,239,832)</u>	<u>(88,183)</u>
Cash flows from investing activities:					
Purchase of investments	(107,537,462)	—	—	(107,537,462)	(505,063)
Proceeds from sale of investments	106,775,831	—	—	106,775,831	52,346
Interest on investments	959,844	254,827	1,043,687	2,258,358	645,695
Net cash provided by investing activities	<u>198,213</u>	<u>254,827</u>	<u>1,043,687</u>	<u>1,496,727</u>	<u>192,978</u>
Net increase (decrease) in cash and cash equivalents	20,136,214	(2,669,079)	(6,114,195)	11,352,940	11,154,116
Cash and cash equivalents, October 1, 2010, as restated	<u>139,721,421</u>	<u>48,410,864</u>	<u>120,606,917</u>	<u>308,739,202</u>	<u>114,727,317</u>
Cash and cash equivalents, September 30, 2011	<u>\$159,857,635</u>	<u>\$45,741,785</u>	<u>\$114,492,722</u>	<u>\$320,092,142</u>	<u>\$125,881,433</u>
Classified as:					
Current assets	\$90,384,485	\$45,536,471	\$75,921,774	\$211,842,730	\$125,881,433
Current assets, restricted	53,039,034	205,314	30,850,064	84,094,412	—
Noncurrent assets, restricted	16,434,116	—	7,720,884	24,155,000	—
Totals	<u>\$159,857,635</u>	<u>\$45,741,785</u>	<u>\$114,492,722</u>	<u>\$320,092,142</u>	<u>\$125,881,433</u>

DURHAM COUNTY, FLORIDA
STATEMENT OF CASH FLOWS, Continued
PROPRIETARY FUNDS
for the year ended September 30, 2011

	<i>Business-type Activities—Enterprise Funds</i>				<i>Governmental Activities—Internal Service Funds</i>
	<i>Convention Center</i>	<i>Solid Waste System</i>	<i>Water Utilities System</i>	<i>Totals</i>	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	<u>\$(42,778,241)</u>	<u>\$12,294,661</u>	<u>\$(13,280,602)</u>	<u>\$(43,764,182)</u>	<u>\$11,509,935</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	31,523,389	7,393,479	63,951,185	102,868,053	98,493
Decrease (increase) in assets:					
Accounts receivable	562,435	(1,231,321)	(132,604)	(801,490)	371,311
Allowance for doubtful accounts	(69,642)	(632)	(29,676)	(99,950)	—
Due from other funds	—	—	—	—	54,725
Due from other governmental agencies	—	—	(959,498)	(959,498)	55,681
Inventories and prepaid costs	—	(36,127)	4,597,730	4,561,603	(103,121)
Note receivable	276,050	—	—	276,050	—

(continued)

	<i>Business-type Activities—Enterprise Funds</i>				<i>Governmental Activities—Internal Service Funds</i>
	<i>Convention Center</i>	<i>Solid Waste System</i>	<i>Water Utilities System</i>	<i>Totals</i>	
Increase (decrease) in liabilities:					
Accounts payable and accrued liabilities	1,230,802	(919,156)	1,262,507	1,574,153	(65,418)
Claims payable	—	—	—	—	(872,285)
Due to other governmental agencies	—	—	11,840	11,840	—
Unearned revenue	(1,836,985)	—	—	(1,836,985)	—
Landfill closure costs	—	(14,076,206)	—	(14,076,206)	—
Customer deposits	—	(93,409)	498,533	405,124	—
Total adjustments	31,686,049	(8,963,372)	69,200,017	91,922,694	(460,614)
Net cash provided (used) by operating activities	\$(11,092,192)	\$3,331,289	\$55,919,415	\$48,158,512	\$11,049,321
Noncash investing, capital, and financing activities:					
Capital asset donations received	\$ —	\$ —	\$7,260,415	\$7,260,415	\$ —

See accompanying notes to the financial statements.

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DURHAM COUNTY, FLORIDA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
September 30, 2011

	<i>Pension and Other Postemployment Benefit Trust</i>	<i>Private Purpose Trust</i>	<i>Agency</i>
<u>ASSETS</u>			
Cash and cash equivalents	\$675,463	\$472,236	\$54,500,832
Investments:			
Domestic equity securities and mutual funds	38,909,459	—	—
International equity securities and mutual funds	15,231,319	—	—
Real estate and mutual funds	909,447		
Money market accounts and mutual funds	2,488,693	—	—
Stable value account and mutual funds	1,722,082	—	—
Fixed income mutual funds	9,571,134	—	—
Corporate bonds	2,243,612	—	—
Government bonds	9,088,846	—	—
Asset backed securities	1,773,575	—	—
Total investments	\$81,938,167	\$ —	\$ —
Accounts receivable	4,805,793	—	—
Accrued income	54,623	—	—
Due from individuals	—	—	10,384
Due from other governmental agencies	—	—	17,494
Prepaid items	19,262	—	—
Total assets	\$87,493,308	\$472,236	\$54,528,710
<u>LIABILITIES</u>			
Accounts payable	\$10,572,147	\$ —	\$ —
Due to other governmental agencies	—	—	14,141,740
Due to individuals	—	—	34,218,713
Deposits	—	—	6,168,257
Total liabilities	\$10,572,147	\$ —	\$54,528,710
<u>NET ASSETS</u>			
Held in trust for pension and other postemployment benefits	76,921,161	—	
Held in trust for other purposes	—	472,236	
Total net assets	\$76,921,161	\$472,236	

See accompanying notes to financial statements.

DURHAM COUNTY, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
for the year ended September 30, 2011

	<i>Pension and Other Postemployment Benefit Trust</i>	<i>Private Purpose Trust</i>
Additions:		
Employer contributions	\$5,638,740	\$ —
Employee contributions	5,176	—
Net investment income (loss)	<u>(1,697,477)</u>	<u>43</u>
Total additions	<u>3,946,439</u>	<u>43</u>
Deductions:		
Benefits paid to participants	5,770,833	—
Administrative expenses	<u>14,977</u>	<u>—</u>
Total deductions	<u>5,785,810</u>	<u>—</u>
Increase in net assets	(1,839,371)	43
Net assets, October 1, 2010	<u>78,760,532</u>	<u>472,193</u>
Net assets, September 30, 2011	<u><u>\$76,921,161</u></u>	<u><u>\$472,236</u></u>

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**DURHAM COUNTY, FLORIDA
STATEMENT OF NET ASSETS
COMPONENT UNITS
September 30, 2011**

	<i>Durham County Housing Finance Authority</i>	<i>Nonmajor Component Units</i>	<i>Totals</i>
ASSETS			
Current assets:			
1 Cash and cash equivalents	\$5,737,163	\$6,274,046	\$12,011,209
2 Investments	—	10,026	10,026
3 Accounts receivable	—	218,134	218,134
4 Accrued interest receivable	73,406	—	73,406
5 Due from other governmental agencies	—	154,363	154,363
6 Deposits and prepaid costs	24,927	19,066	43,993
Restricted cash and cash equivalents	—	7,594	7,594
7 Restricted accrued interest receivable	966,248	—	966,248
Total current assets	<u>6,801,744</u>	<u>6,683,229</u>	<u>13,484,973</u>
Noncurrent assets:			
8 Investments	15,815,337	—	15,815,337
8 Restricted cash and cash equivalents	22,023,626	—	22,023,626
9 Restricted investments	159,114,133	—	159,114,133
10 Notes and loans receivable, net	387,151,810	—	387,151,810
11 Nondepreciable capital assets	112,000	8,368,517	8,480,517
12 Depreciable capital assets, net	205,697	9,522,148	9,727,845
Total noncurrent assets	<u>584,422,603</u>	<u>17,890,665</u>	<u>602,313,268</u>
Total assets	<u>\$591,224,347</u>	<u>\$24,573,894</u>	<u>\$615,798,241</u>
LIABILITIES			
Current liabilities:			
11 Accounts payable and accrued liabilities	\$269,833	\$728,732	\$998,565
Due to other governmental agencies	—	124,366	124,366
Current portion of long-term liabilities	—	20,000	20,000
17 Unearned revenue	—	175,637	175,637
Payable from restricted assets:			
11 Accounts payable and accrued liabilities	3,032,247	—	3,032,247
13 Accrued interest payable	1,837,222	—	1,837,222
18 Revenue bonds payable	910,000	—	910,000
16 Arbitrage rebate payable	35,589	—	35,589
Total current liabilities	<u>6,084,891</u>	<u>1,048,735</u>	<u>7,133,626</u>

(continued)

State and Local Governments

		<i>Durham County Housing Finance Authority</i>	<i>Nonmajor Component Units</i>	<i>Totals</i>
	Noncurrent liabilities:			
	Revenue bonds payable (net of unamortized costs)	531,083,534	—	531,083,534
	Obligation under capital leases	—	214	214
19	Notes payable	1,162,327	—	1,162,327
	Total noncurrent liabilities	<u>532,245,861</u>	<u>214</u>	<u>532,246,075</u>
	Total liabilities	<u>538,330,752</u>	<u>1,048,949</u>	<u>539,379,701</u>
	NET ASSETS			
20	Invested in capital assets, net of related debt	317,697	17,871,062	18,188,759
24	Restricted for bond programs	12,306,826	—	12,306,826
	Restricted for other purposes	—	1,553,693	1,553,693
25	Unrestricted	40,269,072	4,100,190	44,369,262
	Total net assets	<u>52,893,595</u>	<u>23,524,945</u>	<u>76,418,540</u>
	Total liabilities and net assets	<u><u>\$591,224,347</u></u>	<u><u>\$24,573,894</u></u>	<u><u>\$615,798,241</u></u>

See accompanying notes to financial statements.

DURHAM COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
COMPONENT UNITS
for the year ended September 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Durham County Housing Finance Authority	Nonmajor Component Units	Totals
Durham County Housing Finance Authority						
Economic environment	\$28,541,783	\$32,893,702	\$ —	\$4,351,919	\$ —	\$4,351,919
Nonmajor component units:						
General government	2,434,617	—	—	—	(2,434,617)	(2,434,617)
Transportation	4,076,018	1,894,755	—	—	(2,181,263)	(2,181,263)
Economic environment	3,911,998	2,541,822	2,424,524	—	1,054,348	1,054,348
Total nonmajor component units	10,422,633	4,436,577	2,424,524	—	(3,561,532)	(3,561,532)
Total component units	<u>\$38,964,416</u>	<u>\$37,330,279</u>	<u>\$2,424,524</u>	<u>4,351,919</u>	<u>(3,561,532)</u>	<u>790,387</u>
General revenues:						
Unrestricted investment earnings				—	6,610	6,610
Miscellaneous				—	6,684,418	6,684,418
Total general revenues				—	6,691,028	6,691,028
Change in net assets				4,351,919	3,129,496	7,481,415
Net assets, October 1, 2010, as restated				48,541,676	20,395,449	68,937,125
Net assets, September 30, 2011				<u>\$52,893,595</u>	<u>\$23,524,945</u>	<u>\$76,418,540</u>

See accompanying notes to financial statements.

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DURHAM COUNTY, FLORIDA
INDEX TO THE NOTES TO FINANCIAL STATEMENTS
for the year ended September 30, 2011

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A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

.28 These financial statements of Durham County, Florida (County) were prepared in accordance with accounting principles generally accepted in the United States of America for governmental entities (GAAP). The following summary of the more significant accounting policies of the County is presented to assist the reader in interpreting these financial statements, and should be viewed as an integral part of this report.

Reporting Entity

.29 Entity status for financial reporting purposes is governed by GASB Statement No. 14, *The Financial Reporting Entity*, and No. 39, *Determining Whether Certain Organizations Are Component Units—an amendment of GASB Statement No. 14*. The GASB is the standard-setting body for the establishment of GAAP in governmental entities. Determination of the financial reporting entity of the County is founded upon the objective of accountability. Therefore, these financial statements include the County government (the primary government) and two types of legally separate component units (blended and discrete) for which operational or financial responsibility rests with the elected officials of the County or for which the nature and significance of their relationship to the County are such that exclusion would cause the financial statements to be misleading or incomplete.

Operational or financial responsibility is considered to have been met if the primary government appoints a voting majority of the component unit's governing board and it is able to impose its will on the unit or there

is potential for the unit to provide specific financial benefits or impose specific financial burdens on the primary government. All component units of the County have a September 30 fiscal year end.

The County is governed under the authority of the County Charter (Charter), which provides for home rule and is derived from the Florida Constitution. Under the Charter, the principal legislative body of the County is the Board of County Commissioners (Board), a seven-member elected body consisting of six Commissioners elected by district and the County Mayor elected at-large. The County Mayor also serves as the principal executive officer. In addition, certain designated governmental functions are performed by constitutional officers who are elected at-large. The constitutional officers are the Clerk of the Circuit and County Courts, County Comptroller, Property Appraiser, Sheriff, Supervisor of Elections, and Tax Collector. Although these six officers are operationally autonomous, they do not hold sufficient corporate powers of their own to be considered legally separate component units for financial reporting purposes. Therefore, they are reported together with the Board as part of the primary government.

Blended component units are legally separate entities that are in substance part of the County's operation, as they either have governing bodies that are substantively the same as the Board or they provide their services exclusively or almost exclusively to the County government. The financial transactions of these component units are merged in with similar transactions of the County as part of the primary government. The blended component units of the County are as follows:

- *Durham Blossom Trail (OBT) Local Government Neighborhood Improvement District (NID)*. This district serves to provide for improvements in public safety in a designated area adjacent to Durham Blossom Trail. The governing body of the District is the Board of County Commissioners, which provides substantial funding of operations. The District is presented as a special revenue fund.
- *Water and Navigation Control Districts*. The Lake Conway Water and Navigation Control District and the Windermere Water and Navigation Control District each serve to provide for the regulation of shoreline alteration, aquatic plant management, and lake patrol activities for their designated areas. The governing board of each District is the Board of County Commissioners. The primary revenue source is ad valorem property taxes levied by the Board and the annual budgets of each District must be approved by the Board. These Districts are presented together as a special revenue fund.
- *International Drive Community Redevelopment Agency*. This agency serves to provide improved transportation and roadway conditions in the International Drive corridor. The governing body of the Agency is the Board of County Commissioners, which provides substantial funding of operations. The Agency is presented as a special revenue fund.
- *Durham Blossom Trail (OBT) Community Redevelopment Agency*. This agency serves to renew economic interest and improve the commercial diversity and viability of a redevelopment area adjacent to Durham Blossom Trail. The governing body of the Agency is the Board of County Commissioners, which provides substantial funding of operations. The Agency is presented as a special revenue fund.
- *Durham County Library District*. This district serves to provide comprehensive library services and serves County residents except for those within the cities of Winter Park and Maitland. The governing board of the District is composed of the Board of County Commissioners plus one member appointed by the City Council of the City of Durham, Florida. This governing board levies the property taxes necessary to operate the District, adopts the annual budget, and approves debt issuances. The District is presented in special revenue, debt service, capital projects, internal service and fiduciary funds.

Discretely-presented component units are legally separate entities which do not meet the criteria for blending. They are reported in separate columns to emphasize that they are legally separate from the County. The discrete component units of the County are as follows:

- *Durham County Housing Finance Authority*. This authority serves to finance dwelling accommodations for low, moderate, and middle income persons in Durham County and three other adjacent counties. Its five-member board is appointed by the Board of County Commissioners. There is no

budget approval required by the Board, although there is an approval requirement for any bonded debt issuance. The County has no obligation to pay the outstanding debt of the Authority; however, the Board does have the power to remove an Authority board member without cause.

- *Durham County Research and Development Authority.* This authority serves to establish, develop, and operate, in cooperation with the Board of County Commissioners and the University of Central Florida, a research and development park known as "Central Florida Research Park." Eight positions on its nine-member board are appointed by the Board of County Commissioners. The annual budget and amendments, as well as all bonded debt issues, must be approved by the Board. Although the County is not legally responsible for the operations or debt of the Authority, it has given economic assistance in prior fiscal years.
- *International Drive Master Transit and Improvement District.* This district serves to administer transportation and capital planning projects along certain segments of International Drive. Two of the three board members are members of the Board of County Commissioners. There is no budget approval required by the Board; however, a major portion of the District's funding is derived from Municipal Service Taxing Units (MSTUs) of the County. During the 2011 fiscal year, \$4.7 million was paid to the District from the County's MSTUs.
- *Durham County Health Facilities Authority.* This authority serves to assist health facilities in the acquisition, construction, financing and refinancing of capital projects within the County and, under certain circumstances, outside the geographic limits of the County. Its five-member board is appointed by the Board of County Commissioners. The Authority is not legally required to adopt a budget; however, the Board must authorize the issuance of bonded debt. Neither the Authority nor the County has any legal obligation for repayment of the revenue bonds issued through the Authority. The Authority is an issuer of "conduit" debt obligations. See Note V, "Subsequent Events," for discussion regarding fiscal year 2011 assets and revenues.
- *Durham County Industrial Development Authority.* This authority serves to assist in financing and refinancing capital projects which will foster economic development in the County. Its five-member board is appointed by the Board of County Commissioners. The Authority is not legally required to adopt a budget; however, the Board must authorize the issuance of bonded debt. Neither the Authority nor the County has any legal obligation for repayment of the revenue bonds issued through the Authority. As an issuer of "conduit" debt obligations, the Authority has no assets or liabilities.
- *Durham Blossom Trail Development Board, Inc.* This not-for-profit corporation, established by interlocal agreement between the Board of County Commissioners and the City of Durham, serves to provide management services for redevelopment of a section of Durham Blossom Trail. Six positions of the nine-member board of directors are appointed by the Board, and they may be removed without cause. There is no budget approval requirement nor responsibility for deficit funding on the part of the County; however, a major portion of the Corporation's revenues are derived from grants and reimbursements from the County.
- *Durham County Educational Facilities Authority.* This authority serves to assist institutions for higher education in the construction, financing, and refinancing of capital projects within the County. Its seven-member board is appointed by the Board of County Commissioners. The Authority is not legally required to adopt a budget; however, the Board must authorize the issuance of bonded debt. Neither the Authority nor the County has any legal obligation for repayment of the revenue bonds issued through the Authority. As an issuer of "conduit" debt obligations, the Authority has no assets, liabilities, revenues, or expenses.

Except for the Durham County Library District, none of the blended component units prepare individual financial statements. Individual audited financial statements for the Library District and the discretely-presented component units can be obtained directly from their administrative offices as follows:

Durham County Library District
101 East Central Boulevard
Durham, FL 32801

Durham County Housing Finance Authority
2211 Hillcrest Street
Durham, FL 32803-4905

Durham County Research and Development Authority
12424 Research Parkway, Suite 100
Durham, FL 32826

International Drive Master Transit and Improvement District
7081 Grand National Drive, Suite 105
Durham, FL 32819

Durham County Health Facilities Authority
c/o Lowndes, Drosdick, Doster, Kantor & Reed, P.A.
215 N. Eola Drive
Durham, FL 32801

Durham County Industrial Development Authority
301 E. Pine Street, Suite 900
Durham, FL 32801

Durham Blossom Trail Development Board, Inc.
2719 S. Durham Blossom Trail
Durham, FL 32805

Durham County Educational Facilities Authority
c/o Lowndes, Drosdick, Doster, Kantor & Reed, P.A.
215 N. Eola Drive
Durham, FL 32801

The remainder of these notes provides disclosures for both the primary government and discretely-presented component units. If no separate component unit reference is made, the disclosure should be regarded as equally applicable for all components of the reporting entity. In certain cases, GAAP requires special or separate note references for discretely-presented component units. Such disclosures are correspondingly noted as required and are displayed to the extent given in the individual audited financial statements of the applicable component unit.

Financial Statement Presentation

.30 Government-wide financial statements. The statement of net assets and the statement of activities report information about the nonfiduciary activities of the primary government and its discretely-presented component units. Adjustments have been made to minimize the double-counting of interfund activity. These statements distinguish between governmental activities and business-type activities. Governmental activities are primarily financed through taxes and intergovernmental revenues, whereas business-type activities are primarily financed through charges for services to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities, and for each of the business-type activities. Direct expenses are those that are clearly identified with a specific program or segment. Indirect expense allocations are displayed separately from the direct expenses. Program revenues include (a) fees, fines, and charges for service, and (b) grants and contributions that are restricted for the operating or capital requirements of a specific program. All taxes and other revenues not meeting the criteria for classification as program revenues are reported as general revenues.

Fund financial statements. The fund financial statements report information about the County's funds, including fiduciary funds. Separate columns are presented for each major governmental, enterprise, and discretely-presented component unit fund.

The County reports the following major governmental funds:

- *General Fund*. This is the County's primary operating fund; it accounts for all financial transactions not required to be accounted for in another fund.
- *Fire Protection MSTU*. This fund accounts for fire protection and emergency medical services financed with ad valorem taxes levied in the MSTU, as well as service fee revenues. The MSTU encompasses the unincorporated area of the County.
- *Sales Tax Trust*. This fund accounts for receipt of the County's share of state sales tax, and debt service payments for the County's outstanding sales tax revenue bonds.

The County reports the following major enterprise funds:

- *Convention Center*. This fund accounts for the operation of the Durham County Convention Center, and the payment of debt service on the outstanding tourist development tax revenue bonds. Major revenues are charges for services and tourist development taxes.
- *Solid Waste System*. This fund accounts for the County's solid waste disposal (landfill) operation, primarily financed through user charges.
- *Water Utilities System*. This fund accounts for costs associated with residential and commercial sewer and water services provided to various sections of the County, primarily financed through user charges.

The County reports the previously described *Durham County Housing Finance Authority*, a discrete component unit, as a major component unit fund.

Additionally, the County reports the following fund types:

- *Internal service funds*. These funds account for risk management, fleet management, and employee medical benefits services provided to other County departments on a cost-reimbursement basis, as well as Library District employee medical benefits and Sheriff's office health insurance and workers' compensation claims.
- *Pension trust and other postemployment benefit fund*. These funds account for the receipt and disbursement of assets held in trust for participants of the Library District's defined benefit pension, defined contribution pension, and money purchase pension plans, and for other postemployment benefit plans of the County, Library District and Clerk of the Circuit and County Courts.
- *Private purpose trust fund*. This fund accounts for assets held in trust for the benefit of the St. Johns River Water Management District, pursuant to a trust agreement dated February 21, 2006.
- *Agency funds*. These funds account for assets held on behalf of third parties. Examples include developers' escrows held pending satisfactory performance on construction projects, escrows for the Burnham Institute grant from the County and other funding parties, and taxes, fees and fines collected on behalf of other governments.

Measurement Focus and Basis of Accounting

.31 The government-wide, proprietary fund, and trust fund financial statements use a flow of economic resources measurement focus to determine net income and financial position. The accounting principles used are similar to those applicable to businesses in the private sector and, thus, these funds are maintained on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Governmental fund financial statements use a current financial resources measurement focus, and are maintained on the modified accrual basis of accounting. Revenues are recognized when they become susceptible to accrual; that is, when they become both "measurable" and "available to finance expenditures of the current period." The County considers amounts collected on grants within 120 days after year-end, and amounts collected within 60 days after year-end on all other governmental funds, to be available and thus recognizes

them as revenues of the current year. Expenditures are recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service funds for payments to be made early the following year.

Revenues of the County which are susceptible to accrual under the modified accrual basis include property taxes, gas taxes, public service taxes, grant revenues, interest revenue, and charges for services. In applying the "susceptible to accrual" concept to intergovernmental revenues (grants, entitlements and shared revenues), the legal and contractual requirements of the numerous individual programs are used as guidance. There are essentially two types of these revenues. In one, moneys must be expended on the specific purpose or project before any amounts will be earned by the County; therefore, revenues are recognized based upon when the expenditures are made if they meet the criterion of availability. In the other, moneys are essentially unrestricted as to purpose of expenditure and revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if they meet the criterion of availability. Agency funds do not measure results of operations, but assets and liabilities are measured on the accrual basis of accounting.

Fund Balance Presentation

.32 Fund balances of the Governmental Funds are classified as follows:

- *Nonspendable*. This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- *Restricted*. This classification includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributors or the laws or regulations of other governments.
- *Committed*. This classification includes amounts that can be spent only for specific purposes pursuant to constraints imposed by formal action of the County. Such formal action may be in the form of an ordinance or resolution and may only be modified or rescinded by a subsequent formal action.
- *Assigned*. This classification includes amounts that are intended by the County to be used for specific purposes, but are neither restricted nor committed. Assignments may be made only by the governing body or official.
- *Unassigned*. This classification represents the residual positive balance within the General Fund, which has not been restricted, committed or assigned. In funds other than the General Fund, unassigned fund balances are limited to negative residual balances.

The County uses restricted amounts first when both restricted and unrestricted fund balances are available.

GASB Statement No. 20 Election

.33 Pursuant to the election option made available by GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989, are not applied in the preparation of the business-type activities and the enterprise fund financial statements.

Budgets and Budgetary Accounting

.34 Chapter 129, Florida Statutes, requires that the annual fiscal year budget be legally adopted by the Board at the fund level, and that any expenditures or contract for expenditure in the fiscal year for an amount greater than the total fund budget is unlawful. Pursuant to this legal requirement, an annual appropriated budget is adopted by resolution subject to public hearing. Such resolution sets the budget appropriations in total by fund for each governmental fund and each proprietary fund of the Board. Budgets for the trust funds and agency funds are not legally required or adopted. Budgetary information presented in this

report is in a categorized format by revenue source, expenditure function, and expenditure reserves, which represents a detail level greater than the statutory level of control. At the close of the fiscal year, all budget appropriations lapse to the extent that they have not been expended. Outstanding encumbrances also lapse, but are re-established in the succeeding fiscal year against the newly adopted budget.

In addition to the statutory requirements discussed previously, the County has adopted management control and approval guidelines for expenditures and budget amendments. Key components of these management guidelines are as follows:

1. Each fund contains allocations by object of expenditure, and for reserves for various purposes.
2. No expenditure or encumbrance may occur without a sufficient budgetary balance.
3. Allocations within a fund may be transferred within a department by action of the County's budget officer or between departments by action of the Board.
4. Available balances to or from reserves may be used to modify an expenditure allocation in the same fund upon approval of the Board.
5. A revenue or other financing source which was originally unanticipated may be appropriated by action of the Board.
6. Increased revenues for proprietary funds may be appropriated by action of the Board.

Because transfers of budget allocations between departments must be approved by the Board, the department level is deemed the legal level of budgetary control. Such legal level of budgetary control corresponds to the categorical breakdowns reflected in the financial statements, except for the General Fund, the Grants special revenue fund and the Miscellaneous Construction Projects capital projects fund. These funds contain multiple operating departments requiring Board approval for budget transfers. Schedules showing budgeted and actual expenditures at the department level for these three funds are presented as supplementary information at the end of this Financial Section.

In instances where total fund appropriations are amended by revenues or other financing sources unanticipated in the existing budget, an amending budget resolution is adopted which indicates the revised budget appropriation for each affected fund. Amendments to overall appropriations for any other reasons also require a public hearing prior to adoption.

Budget appropriations presented in this report include all legally adopted appropriations as amended during the fiscal year. During the 2011 fiscal year, appropriation increases of approximately \$311 million were approved by the Board, primarily due to new grant awards, for reappropriation of unexpended grant award balances and encumbrances outstanding at the end of the 2010 fiscal year, and to appropriate budget for proceeds of loan transactions during the year. The original adopted budget for the 2011 fiscal year totaled \$3.10 billion and the final amended budget totaled \$3.41 billion, representing a 10.0 percent increase during the year.

All governmental fund budgets are prepared on a basis consistent with GAAP, except that capital outlay expenditures and other financing sources related to the acquisition of assets through capital leases are not budgeted. For the 2011 fiscal year, the following adjustments were necessary to present the actual data on a budgetary basis for the General Fund:

	<i>Expenditures</i>	<i>Other Financing Sources (Uses)</i>
GAAP basis	\$662,953,814	\$192,986,410
Nonbudgeted capital lease transactions	<u>(1,258,387)</u>	<u>(1,258,387)</u>
Non-GAAP budgetary basis	<u>\$661,695,427</u>	<u>\$191,728,023</u>

The budgets for the proprietary funds are prepared on an accrual basis and are consistent with GAAP except that depreciation, amortization, noncash capital contributions, and gains/losses on the disposal of assets are not budgeted, capitalized net interest costs on funds borrowed to finance the construction of capital assets are budgeted as interest income and interest expense, capital outlays are budgeted as expense, and debt

proceeds and principal payments are respectively budgeted as revenue and expense. Insurance liability claims in the Risk Management internal service fund are budgeted according to the loss reserves available for disbursement rather than by new liabilities incurred during the fiscal year. Budgets are not adopted for the Library District Internal Service Fund, or for the Sheriff's Health Insurance and Workers' Compensation Internal Service Funds.

Annual budgets are prepared according to the following procedures.

During the month of July, the County Mayor, after working with the County's budget officer to establish proposed funding priorities for the ensuing fiscal year, presents a tentative budget for each fund which includes all estimated receipts, taxes to be levied, all other financing sources and all estimated expenditures and reserves.

The Board examines these tentative budgets in work sessions throughout the month of July. Pursuant to law, the budgets of each fund are balanced (that is, all revenues and other financing sources equal all expenditures, reserves, and other financing uses). Subject to hearing and notice requirements, the budgets may be revised as deemed necessary provided they remain in balance.

In September, public hearings are held to adopt tentative and final budgets. The hearings are held primarily to explain the budget and obtain public input. In accordance with statutory requirements, the annual budgets are enacted prior to October 1 through passage of a resolution. If for some reason a budget is not enacted by October 1, Florida Statutes provide for continued operation under the previous year's budget subject to any amendments.

Encumbrances

.35 Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded as a reservation of budget, is employed as an extension of the statutorily required budgetary process. Under Florida Statutes, appropriations, even if encumbered, lapse at fiscal year end. Encumbrances outstanding at September 30, 2011 represented by purchase orders and other executory contracts, were approximately \$83.5 million. It is the County's intention to substantially honor these encumbrances under authority provided in the subsequent year's budget.

Cash and Cash Equivalents

.36 Cash balances from the majority of funds are pooled for investment purposes. Earnings from such investments are allocated to the respective funds based on applicable cash participation by each fund. The investment pools are managed such that all participating funds have the ability to deposit and withdraw cash as if they were demand deposit accounts, and therefore all balances representing participants' equity in the investment pools are classified as cash equivalents for purposes of these statements. For investments which are held separately from the pools, those which are highly liquid (including restricted assets) with an original or remaining maturity of 90 days or less when purchased are considered to be cash equivalents.

Investments

.37 All investments are stated at fair value. Investment fair values are based on quoted market prices, except for bankers' acceptances and commercial paper, which are based on accreted value. Investments in mutual funds, which are SEC 2a-7 investment pools, and the Local Government Surplus Funds Trust Fund (Florida PRIME), which is an external 2a7-like investment pool, are stated at share price which is substantially the same as fair value.

Accounts Receivable

.38 Amounts due from private individuals, organizations, or other governments which pertain to charges for services rendered by County departments are reported as accounts receivable.

Receivables are reviewed periodically to establish or update the provisions for uncollectible amounts. These provisions are estimated based on an analysis of the age of the various accounts. The County records the amount of earned but unbilled service revenues for the Water Utilities System enterprise fund.

Notes and Loans Receivable

.39 The County has several agreements with other agencies under which cash has been advanced to those agencies for the purpose of financing loans to developers for multifamily affordable housing projects. These noninterest-bearing advances will be repaid to the County over varying terms of up to 30 years. The outstanding principal balance is reported as Notes and Loans Receivable in the Local Housing Assistance (SHIP) special revenue fund, with a corresponding amount in Restricted Fund Balance, as future use of collected proceeds remain restricted. With the exception of an allowance established for one note to recognize a reduction from the amount due for compliance with conditions of the agreement, no uncollectible allowance has been established for these receivables, based upon management's evaluation of the loans.

The Durham County Housing Finance Authority component unit records loans receivable relative to the financing of multifamily housing developments and single-family residential housing. These loans are carried at original cost, including unamortized discount, less principal collections. Servicing of loans is provided by various approved and qualified private lending institutions and servicing organizations on behalf of the Authority. Servicing costs on single-family issues are recorded as a reduction of interest income. Based upon management's evaluation of the loan portfolio an allowance for potential losses has been established. Loans receivable are pledged as collateral for the payment of principal and interest on bonded indebtedness.

Interfund Balances and Activity

.40 During the course of normal operations, the County has numerous transactions between funds. Examples of these transactions include providing services, constructing assets or servicing debt. These transactions are generally recorded as interfund transfers, except for internal service fund charges which are reflected as revenues to internal service funds and expenses or expenditures to the funds receiving the services. Additionally, short-term interfund loans are recorded from time to time as cash flow needs arise. As of fiscal year-end, any unpaid amounts related to these transactions are reported as "due from other funds" or "due to other funds" on the fund financial statements. Interfund loans not expected to be repaid within one year are reported as advances. In governmental funds, advances are offset equally by a nonspendable fund balance which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation. Interfund balances and transfers are consolidated for government-wide financial reporting, and residual balances between governmental activities and business-type activities, if any, are reported on the government-wide financial statements.

Inventories

.41 The Durham County Library District special revenue fund inventory consists of supplies held for consumption. This inventory is carried at cost using the first-in, first-out method. The cost is recorded as an expenditure at the time individual inventory items are consumed (consumption method).

Inventories in proprietary fund types consist of materials and supplies held for consumption and are valued at the lower of cost or market. Cost is determined by the Solid Waste System and the Water Utilities System enterprise funds using the weighted average and the moving average methods, respectively. The Fleet Management internal service fund values inventory using the first-in, first-out method.

Assets Held for Resale

.42 The County administers a program whereby it purchases residential properties with the express intent of resale. Properties purchased are rehabilitated and offered for sale to purchasers meeting certain criteria. Properties held for resale are reported at lower of cost or net realizable value in the governmental funds.

Restricted Assets

.43 The use of certain assets of enterprise funds is restricted by specific provisions of bond resolutions and agreements with various parties. Assets so designated are identified as restricted assets on the balance sheet. When both restricted and unrestricted resources are available for use, the County's policy is to use restricted resources first, then unrestricted resources as they are needed. Restricted assets are classified as noncurrent if they are for acquisition or construction of capital assets, for liquidation of long-term debt, or are for other than current operations.

Capital Assets

.44 Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Constructed or purchased assets are recorded at historical cost or estimated historical cost. Donated assets are recorded at the estimated fair market value on the date of donation. The thresholds for capitalization of assets range from \$500 to \$1 million, depending on the asset class. Costs of maintenance and repairs that do not add to the value of assets or extend their useful lives are not capitalized.

All capital assets except land and construction in progress are depreciated using the straight-line method over the following estimated useful lives:

Buildings	20–50 years
Improvements other than buildings	10–50 years
Machinery and equipment	3–15 years
Infrastructure—roadways	20–50 years
Infrastructure—drainage	20–75 years
Intangibles	3–40 years

Capitalization of Interest

.45 As required by the interest topic of FASB *Accounting Standards Codification*, the enterprise funds capitalize net interest costs on funds borrowed to finance the construction of capital assets. Interest cost information for the enterprise funds for the fiscal year ended September 30, 2011 is as follows:

	<i>Convention Center</i>	<i>Water Utilities System</i>
Total interest cost	\$40,191,348	\$964,604
Net amount capitalized	\$909,470	\$662,690

The net amount capitalized included amortization of bond issuance costs.

Accounts Payable and Accrued Liabilities

.46 Liabilities reported as Accounts Payable and Accrued Liabilities on the government-wide statement of net assets are comprised of the following components:

	<i>Governmental Activities</i>	<i>Business-type Activities</i>
Current payables due to vendors	\$70,404,415	\$25,288,326
Salaries and wages payable	15,481,071	2,118,662
Retainage on contracts payable	3,132,425	3,785,396
Total accounts payable and accrued liabilities	<u>\$89,017,911</u>	<u>\$31,192,384</u>

Unearned Revenue and Deferred Revenue

.47 In instances where assets have been received by the County for services to be rendered in future periods, asset balances have been offset by an unearned revenue liability account in the financial statements. Unearned revenues of the County's business-type activities at September 30, 2011 are associated with cash received to secure future bookings at the Convention Center.

Deferred revenue liabilities are reported in the governmental funds to offset receivables and deposits that do not meet the availability criterion under the modified accrual basis of accounting. Primary examples of the County's deferred revenues are amounts associated with outstanding receivables for EMS transport services, 911 system service provider fees and grants, where payments will be received in cash over future periods. Also included are deposits held from builders for future building permit issuance, where revenue will be earned in future periods. These deposits are presented as unearned revenue for governmental activities on the statement of net assets.

Landfill Closure Costs

.48 Under the terms of current state and federal regulations, the County is required to place a final cover on closed landfill areas, and to perform certain monitoring and maintenance functions for a period of up to 30 years after closure. In accordance with GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*, the County is recognizing these costs of closure and postclosure maintenance over the active life of each landfill area, based on landfill capacity used during the period. Required obligations for these costs are recognized in the governmental activities for internal landfill operations and in the Solid Waste System enterprise fund for public landfill operations.

Accretion of Original Issue Discount on Bonds

.49 The original issue discount on compound interest bonds is being accreted to maturity using the interest method.

Obligation for Bond Arbitrage Rebate

.50 Pursuant to Section 148(f) of the U. S. Internal Revenue Code, the County must rebate to the United States Government the excess of interest earned from the investment of certain debt proceeds and pledged revenues over the yield rate of the applicable debt. Arbitrage rebate, if any, is due and payable on each five-year anniversary of the respective debt issue. As of September 30, 2011, the County had no outstanding arbitrage rebate liability.

Operating and Nonoperating Revenues and Expenses

.51 The proprietary fund financial statements distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses are those that result from providing services associated with the principal activities of the respective fund. Primary examples of operating revenues are charges for hall and room rentals of the Convention Center, landfill tipping fees of the Solid Waste System, and charges for water and wastewater treatment services of the Water Utilities System. Operating expenses include the cost of sales and services, administrative costs, and depreciation expense. Nonoperating revenues and expenses are all those that do not meet the criteria described previously, and include interest and tax revenues, and debt service expenses.

Compensated Absences

.52 It is the policy of the County to permit employees to accumulate a limited amount of earned but unused leave benefits which will be paid to employees upon separation from service. Unpaid compensated absences are recorded as a liability when the benefits are earned in the proprietary fund financial statements.

For governmental funds, there is no legal requirement to accumulate expendable available financial resources to liquidate the obligation; thus expenditures are recognized in the governmental funds when payments are made to employees. The valuation of accrued leave benefits is calculated in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*. The liability is typically liquidated with resources of the same fund that has paid the applicable employee's regular salaries and fringe benefits. The current portion of the accrued compensated absences liability is based on the average annual amount of leave charged over the preceding three years.

Net Assets

.53 The government-wide statement of net assets reports a total of \$354,148,788 of restricted net assets for governmental activities, of which \$239,970,397 is restricted by enabling legislation.

Bond Amortization Costs

.54 In the government-wide and the proprietary fund financial statements, bond premium, discount, and issuance costs are amortized over the life of the bonds using the interest method. Some of these costs are capitalized as noted previously. Also, in accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*, the difference between the reacquisition price and the net carrying amount of refunded debt is being amortized over the shorter of the life of the old debt or the life of the new debt using the interest method. Amortization of bond issuance costs which are not capitalized are recorded as a nonoperating expense, and amortization of bond discount and the deferred amounts on refundings which are not capitalized are recorded as components of interest expense.

Indirect Expenses Allocation

.55 General administrative overhead costs are charged to all County functions, based on the proportionate benefit to each function, as determined through the County's annually-prepared cost allocation plan. These indirect expenses are identified in a separate column on the government-wide statement of activities.

Property Tax Revenues

.56 Ad valorem property taxes levied in September 2011 are for the purpose of financing the budget of the 2012 fiscal year. Property tax revenues recognized for the 2011 fiscal year were levied in September 2010. Virtually all unpaid taxes are collected via the sale of tax certificates prior to fiscal year end; thus there is no receivable reported for property taxes in the financial statements.

Key dates in the property tax cycle are as follows:

	<i>Revenues for fiscal year ended September 30, 2011</i>
Lien date	January 1, 2010
Assessment roll certified	August 31, 2010
Property taxes levied	September 20, 2010
Beginning of fiscal year for which taxes have been levied	October 1, 2010
Tax bills rendered	November 1, 2010
Property taxes payable:	
Maximum discount (latest date)	November 30, 2010
Delinquent	April 1, 2011
Tax certificates sold on unpaid taxes	May 31, 2011

Use of Estimates

.57 The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the financial statement date and the reported amounts of revenues and expenses or expenditures during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncement

.58 Effective October 1, 2010, the County adopted the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The effect of this adoption is to establish new categories for fund balance reporting and revise the definitions of governmental fund types. Implementation of this statement changes the presentation in the CAFR of certain funds which no longer meet the definition of a Special Revenue Fund. Those changes are summarized as follows:

- The Administration Center Benefits fund was a nonmajor Special Revenue Fund and is reported with the General Fund.
- The Law Enforcement Impact Fees, Fire Impact Fees, Transportation Impact Fees, Parks and Recreation Impact Fees, and Miscellaneous Construction Funds were nonmajor Special Revenue Funds and are now reported as Capital Projects Funds.
- The Arts and Cultural Tourism fund was a nonmajor Special Revenue Fund and is now reported with the Convention Center Enterprise Fund.
- The Energy, Efficiency and Conservation Fund is now reported with the Conservation Trust Fund, and the Hurricane Housing Recover Program Fund is now reported with the Local Housing Assistance (SHIP) Fund. All are nonmajor Special Revenue Funds.

Due to these changes, following are the restated beginning fund balances/net assets:

	<i>Fund Balance/ Net Assets as of 9-30-10</i>	<i>Restated Beginning Fund Balance/Net Assets</i>
Governmental funds—fund balance:		
General fund	\$146,063,255	\$146,093,193
Nonmajor special revenue	492,584,626	249,033,900
Nonmajor capital projects	6,452,086	246,980,945
Business-type fund-net assets:		
Convention center	497,866,514	500,858,443
Total	<u>\$1,142,966,481</u>	<u>\$1,142,966,481</u>

The effect of the change in accounting principle is shown on the Statement of Activities as (\$2,991,929) for Governmental Activities and \$2,991,929 for Business-type Activities.

B. DEPOSITS AND INVESTMENTS

Primary Government

.59 As of September 30, 2011, the carrying value of the County's deposits and investments, other than that of the Pension and OPEB Trust Funds, with their respective Standard & Poor's credit ratings, was as follows:

<i>Investment Type</i>	<i>Fair Value</i>	<i>Credit Rating</i>
Demand and time deposits	\$236,690,665	NA
Florida SAFE	3,002,946	AAAm
Florida PRIME	20,445	AAAm
Money market mutual funds	208,372,390	AAAm
Money market mutual funds	2,808,336	AAA
Repurchase agreements	1,649,753	Unrated
U.S. Treasury Bills	429,132,363	NA
U.S. Treasury Notes	626,667,600	NA
Total deposits and investments	<u>\$1,508,344,528</u>	

Credit Risk

.60 The Board's Investment Policy (Policy), as well as the separate investment policies of the constitutional officers, limits credit risk by restricting authorized investments to the following: direct obligations of the United States or its instrumentalities, direct obligations of states and municipalities, repurchase agreements comprised of direct obligations of the U.S. Government or its instrumentalities, the Florida PRIME Fund administered by Florida's State Board of Administration (a 2a7-like pool), Florida SAFE (Library District only), commercial paper, bankers' acceptances, and money market mutual funds (Money Markets). The Policy requires that investments in instrumentality debt be guaranteed by the full faith and credit of the U.S. Government sponsored agency, and that investments in Money Markets have a Standard & Poor's (S&P) rating of AAAm or AAAg, and limits eligible Money Markets to those comprised of direct obligations of the U.S. Government. For arbitrage compliance only, Money Markets may be comprised of state and local government taxable and tax-exempt debt.

Concentration of Credit Risk

.61 The Policy establishes limitations on portfolio composition, both by investment type and by issuer, in order to control concentration of credit risk. The Policy provides that a maximum of 15 percent of the portfolio may be invested in prime commercial paper, with a limit of 2.5 percent in any one issuer. As of September 30, 2011, there are no concentrations of credit risk beyond the stated policy.

Custodial Credit Risk

.62 The Policy requires that bank deposits be secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida. At September 30, 2011, all of the County's bank deposits were in qualified public depositories and were fully secured by the FDIC under the Dodd-Frank Deposit Insurance Provision, which provides unlimited FDIC insurance on noninterest bearing transaction accounts through December 31, 2012.

The Policy requires execution of a third-party custodial safekeeping agreement for all purchased securities, and requires that securities be held in the County's name. As of September 30, 2011, all of the County's investments are held in a bank's trust department in the County's name.

Interest Rate Risk

.63 The Policy limits the investment of current operating funds to 13 months, and the investment of noncurrent operating funds to 60 months. Bond reserves, construction funds, and other nonoperating funds may be invested for up to 10 years, subject to bond covenants and liquidity needs.

As of September 30, 2011, the County's investments have the following weighted average maturities by investment type: U.S. Treasury Notes – 21.9 months; U.S. Treasury Bills – 4.6 months; Money Markets – not more than 60 days.

Durham County Library District Defined Benefit Pension Plan

.64 Investments in the Plan are managed in accordance with an Investment Policy Statement (Statement). This Statement sets the following allocations: 40 percent for domestic equity securities, 25 percent for foreign equity securities and 35 percent for fixed income and cash securities. The Statement authorizes investments in domestic equities, mutual funds, stable value accounts, Money Markets funds, corporate bonds, real estate investment trusts, exchange traded funds, commingled funds, and cash equivalent accounts.

The Statement states that the average credit quality of the fixed income portfolio shall be AA- or higher and the average rating of the mortgage portion of the portfolio must hold a credit rating of at least AA. As a means of limiting its exposure to interest rate risk, the Statement states that the average duration of the fixed income portfolio shall be less than 150 percent of the duration of the Barclays Capital aggregate Bond Index.

In addition to \$19,065,323 in mutual funds investing in equity securities and real estate, Defined Benefit Pension Plan investments were as follows at September 30, 2011:

<i>Fund/Investment</i>	<i>Type</i>	<i>Credit Rating</i>	<i>Weighted Average Maturity (years)</i>	<i>Fair Value</i>
Fidelity Institutional Domestic	Money Market	AAAm	55 days	\$249,329
Dreyfus Treasury & Agency Cash Management	Money Market	AAAm	37 days	1,883,514
Reams Individual Securities	Corporate Bonds	AAA	6.22	2,243,612
Reams Individual Securities	Government Bonds	AAA	2.95	9,088,846
Reams Individual Securities	Asset Backed Securities	AAA	3.56	1,773,575
				<u>\$15,238,876</u>

Due to the nature of the District's investments, there is no exposure to custodial credit risk, concentration of credit risk or foreign currency risk.

Durham County Library District Defined Contribution Pension Plan

.65 Participants in the Defined Contribution Pension Plan, including all District employees, self-direct investments from a variety of mutual funds. Accordingly, the District has not adopted an investment policy for this Plan. Defined Contribution Pension Plan investments, other than \$8,692,152 in mutual funds investing in equity securities, were as follows at September 30, 2011:

<i>Fund/Investment</i>	<i>Type</i>	<i>Credit Rating</i>	<i>Weighted Average Maturity (years)</i>	<i>Fair Value</i>
Cash Management Fund	Money Market	AAAm	24 days	\$14,741
Plus Fund	Stable Value	AA	3.52	1,557,603
PIMCO High Yield Fund	Fixed Income	Not Rated	6.22	38,055
PIMCO Total Return Fund	Fixed Income	Not Rated	6.07	112,932
Core Bond Index Fund	Fixed Income	AA	6.83	1,781,781
Low Duration Bond Fund	Fixed Income	A	2.60	726,694
				<u>\$4,231,806</u>

Durham County Library District Money Purchase Pension Plan

.66 Participants in this Plan self-direct investments from a variety of mutual funds offered through the ICMA Retirement Corporation. Accordingly, the District has not adopted an investment policy for this Plan. Money Purchase Pension Plan investments, other than \$1,251,926 in mutual funds investing in equity securities, were as follows at September 30, 2011:

<i>Fund/Investment</i>	<i>Type</i>	<i>Credit Rating</i>	<i>Weighted Average Maturity (years)</i>	<i>Fair Value</i>
Cash Management Fund	Money Market	AAAm	24 days	\$5,868
Plus Fund	Stable Value	AA	3.52	\$164,479
PIMCO High Yield Fund	Fixed Income	Not Rated	6.22	286
PIMCO Total Return Fund	Fixed Income	Not Rated	6.07	3,094
Core Bond Index Fund	Fixed Income	AA	6.83	140,513
Low Duration Bond Fund	Fixed Income	A	2.60	12,928
Total Fixed Income				\$156,821

Durham County Library District OPEB Retirement Health Benefit Plan

.67 Investments in the OPEB Retirement Health Benefit Plan are managed in accordance with an Investment Policy Statement which sets the following guidelines: 70 percent for domestic and foreign equity securities and 30 percent for fixed income and cash securities. The Plan is completely funded by the District. The OPEB Retirement Health Benefit Plan investments, other than \$9,134 of uninvested cash deposits and \$3,986,155 in mutual funds investing in equity securities, were as follows at September 30, 2011:

<i>Fund/Investment</i>	<i>Type</i>	<i>Credit Rating</i>	<i>Weighted Average Maturity (years)</i>	<i>Fair Value</i>
Core Bond Index Fund	Fixed Income	AA	6.83	\$993,493
Low Duration Bond Fund	Fixed Income	A	2.60	611,072
Total Fixed Income				\$1,604,565

Due to the nature of the District's investments, there is no exposure to custodial credit risk, concentration of credit risk or foreign currency risk.

Durham County OPEB Retirement Health Benefit Plan

.68 Investments in the Durham County OPEB Trust are managed in accordance with the Trustee's Retiree Health Care Benefit Trust Investment Policy. The OPEB Retirement Health Benefit Plan investments, other than \$147,861 of uninvested cash deposits and \$22,054,669 in index funds investing in equity securities, were as follows at September 30, 2011:

<i>Fund/Investment</i>	<i>Type</i>	<i>Credit Rating</i>	<i>Weighted Average Maturity (years)</i>	<i>Fair Value</i>
Prime Money Market Fund	Money Market	Not Rated	<60 days	\$584,570
Bond Market Index Fund	Fixed Income	Not Rated	7.4	5,150,286
Total Fixed Income				\$5,734,856

Clerk of the Circuit and County Courts OPEB Retirement Health Benefit Plan

.69 Cash and cash equivalents of the Clerk of the Circuit and County Courts OPEB Trust are managed in accordance with Florida Statutes. As of September 30, 2011, \$269,139 was deposited in an interest bearing checking account.

Component Unit

.70 As of September 30, 2011, the Durham County Housing Finance Authority (Authority) had the following deposits and investments:

<i>Investment Type</i>	<i>Credit Rating</i>	<i>Weighted Average Maturity (years)</i>	<i>Fair Value</i>
Bank deposits	NA	NA	\$10,512,758
U.S. Treasuries	NA	< 90 days	2,553,530
Government National Mortgage Association	NA	6–10	700,349
Government National Mortgage Association	NA	11–15	784,394
Government National Mortgage Association	NA	16–20	20,332,983
Government National Mortgage Association	NA	21–25	17,046,782
Government National Mortgage Association	NA	26–30	44,712,593
			83,557,101
Federal Home Loan Mortgage Corp.	AAA	26–30	5,101,811
Federal National Mortgage Association	AAA	16–20	14,534,088
Federal National Mortgage Association	AAA	21–25	2,858,255
Federal National Mortgage Association	AAA	26–30	10,200,982
			27,593,325
Guaranteed investment contracts	Aaa	16–20	411,645
Guaranteed investment contracts	Aaa	21–25	1,284,220
Guaranteed investment contracts	AA+	16–20	1,169,871
Guaranteed investment contracts	AA+	21–25	650,635
Guaranteed investment contracts	A1	21–25	1,665,766
Guaranteed investment contracts	A1	26–30	966,953
			6,149,090
Investment agreements	Aaa	31–35	549,436
Investment agreements	AA	21–25	61,942
Investment agreements	Unrated	< 1	51,896,765
			52,508,143
Mutual funds	AAAm	< 90 days	14,472,420
Mutual funds	NA	< 90 days	222,081
			14,694,501
Total deposits and investments			\$202,690,259

Certain of the Authority's investments are subject to credit risk and interest rate risk considerations, as defined by GASB Statement No. 40, *Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3*. Credit risk quality, identified with Standard & Poor's or Moody's ratings, and interest rate risk, as identified by weighted average maturities, are provided in the preceding table. Deposits and investments not exposed to credit quality risk, as defined by GASB Statement No. 40, are designated as "NA" in the credit rating column. Deposits and investment line items to which weighted average maturity disclosure is not required by GASB Statement No. 40, are designated as "NA" in the weighted average maturity column.

At September 30, 2011, all of the Authority's bank deposits were in qualified public depositories, as provided by Chapter 280, Florida Statutes.

The Authority manages credit quality risk in its operating fund by limiting investments authorized to direct obligations of the United States of America or any agency thereof, federal instrumentalities, interest-bearing time or demand deposits with any qualified depository institution, and Money Markets registered under the Federal Investment Company Act of 1940 and with credit quality ratings equivalent to or better than Standard & Poor's ratings of AAAm or the equivalent by another rating agency.

The operating fund investment policy limits maturities of direct obligations of the United States of America, any agency thereof, and federal instrumentalities to two years from the date of purchase, limits investments in Money Markets to those with weighted average maturities of 90 days or less, and limits maturities of certificate of deposit to one year.

Credit quality ratings and weighted average maturities permitted for multifamily and single-family investments are based on policies provided in respective trust indentures, which vary among projects. Such investments are made at the direction of trustees based on the underlying trust indenture policies.

C. RESTRICTED ASSETS

.71 The use of certain assets is restricted by specific provisions of bond resolutions and agreements with various outside parties. Restricted assets at September 30, 2011 consist of the following:

	<i>Cash and Cash Equivalents</i>	<i>Investments</i>	<i>Totals</i>
<u>Convention Center</u>			
Bond interest	\$221,040,288	\$ —	\$21,040,288
Bond principal	29,985,000	—	29,985,000
Bond reserve	396,263	72,655,710	73,051,973
Sixth cent TDT	2,013,746	—	2,013,746
Hotel surcharge	16,037,853	—	16,037,853
Fund totals	<u>69,473,150</u>	<u>72,655,710</u>	<u>142,128,860</u>
<u>Solid Waste System</u>			
Customer deposits	<u>205,314</u>	<u>—</u>	<u>205,314</u>
Fund totals	<u>205,314</u>	<u>—</u>	<u>205,314</u>
<u>Water Utilities System</u>			
Operation and maintenance reserve	22,569,678	—	22,569,678
Net revenues	67,100	—	67,100
Bond interest	266,875	—	266,875
Renewal and replacement	7,466,884	—	7,466,884
Customer deposits	7,051,769	—	7,051,769
Rate stabilization	254,000	—	254,000
Loan debt service	134,502	—	134,502
Loan repayment reserve	<u>760,140</u>	<u>—</u>	<u>760,140</u>

(continued)

State and Local Governments

	<i>Cash and Cash Equivalents</i>	<i>Investments</i>	<i>Totals</i>
Fund totals	<u>38,570,948</u>	<u>—</u>	<u>38,570,948</u>
Total restricted assets	108,249,412	72,655,710	180,905,122
Less: Current portion	<u>(84,094,412)</u>	<u>—</u>	<u>(84,094,412)</u>
Restricted assets, noncurrent portion	<u>\$24,155,000</u>	<u>\$72,655,710</u>	<u>\$96,810,710</u>

D. NOTES AND LOANS RECEIVABLE

.72 Notes and loans receivable of the primary government at September 30, 2011 were as follows:

SHIP-Assisted Loan Program notes due from Orange County Housing Finance Authority dated 1998 through 2002; collateralized by mortgage notes on property; noninterest bearing; repayment will be made over the life of the underlying mortgages	\$915,486
SHIP-Assisted grant loan due from Grand Avenue Economic Community Development Corporation dated 2010; to be reduced annually by 1/20th of the original amount	<u>807,500</u>
Multifamily Affordable Housing Agreements with Florida Community Capital Corporation dated 1997 through 2001; secured by an equitable ownership of the underlying mortgages; noninterest bearing; repayment of principal is made quarterly over the life of the underlying mortgages, with final maturities ranging from 2014 to 2038	<u>9,596,871</u>
	11,319,857
Less allowance for uncollectible accounts	<u>(807,500)</u>
Total	<u>\$10,512,357</u>

Notes and loans receivable of the Durham County Housing Finance Authority discretely-presented component unit at September 30, 2011 were as follows:

Loans receivable, bond programs—multifamily mortgage loans; collateralized by first mortgage on the property and either mortgage insurance or irrevocable letter of credit	\$380,950,323
Loans receivable, bond programs—single family mortgage loans; collateralized by second mortgage on the property	975,859
Program fee receivable	316,901
\$78,929 fifth mortgage loan, secured by property, \$254 due monthly	71,864
Down payment assistance notes, secured by property, issued 1991 through 1997	421,317
Down payment assistance notes, secured by property, issued 2006 through 2011	4,408,271
Other notes receivable, secured by property, primarily due 2030	1,162,555
Accounts receivable	<u>37,889</u>
	388,344,979
Less allowance for losses on notes receivable	<u>(1,193,169)</u>
Total	<u>\$387,151,810</u>

E. CAPITAL ASSETS

.73 During the year ended September 30, 2011, the following changes in capital assets occurred:

	<u>Balance 10/1/2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 9/30/2011</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$1,054,483,704	\$8,977,630	\$(3,054,403)	\$1,060,406,931
Construction in progress	216,326,665	65,883,126	(48,508,619)	233,701,172
Total capital assets, not being depreciated	<u>1,270,810,369</u>	<u>74,860,756</u>	<u>(51,563,022)</u>	<u>1,294,108,103</u>
Capital assets, being depreciated / amortized:				
Buildings and improvements	759,212,786	10,061,440	—	769,274,226
Infrastructure	2,128,372,321	45,150,425	(148,735)	2,173,374,011
Machinery and equipment	360,056,673	7,632,606	(17,909,179)	349,780,100
Intangibles	24,679,841	19,982,940	(146,929)	44,515,852
Total capital assets, being depreciated / amortized	<u>3,272,321,621</u>	<u>82,827,411</u>	<u>(18,204,843)</u>	<u>3,336,944,189</u>
Less accumulated depreciation / amortization for:				
Buildings and improvements	(211,178,754)	(17,946,342)	—	(229,125,096)
Infrastructure	(662,230,530)	(41,494,454)	63,149	(703,661,835)
Machinery and equipment	(251,737,557)	(27,050,868)	17,330,728	(261,457,697)
Intangibles	(20,108,457)	(2,499,982)	137,676	(22,470,763)
Total accumulated depreciation and amortization	<u>(1,145,255,298)</u>	<u>(88,991,646)</u>	<u>17,531,553</u>	<u>(1,216,715,391)</u>
Total capital assets, being depreciated / amortized, net	<u>2,127,066,323</u>	<u>(6,164,235)</u>	<u>(673,290)</u>	<u>2,120,228,798</u>
Governmental activities capital assets, net	<u>\$3,397,876,692</u>	<u>\$68,696,521</u>	<u>\$(52,236,312)</u>	<u>\$3,414,336,901</u>

(continued)

	<i>Balance 10/1/2010</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balance 9/30/2011</i>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$229,728,076	\$1,143,411	\$(29,430)	\$230,842,057
Construction in progress	256,627,487	74,122,618	(181,517,751)	149,232,354
Total capital assets, not being depreciated	<u>486,355,563</u>	<u>75,266,029</u>	<u>(181,547,181)</u>	<u>380,074,411</u>
Capital assets, being depreciated / amortized:				
Buildings	1,363,601,432	4,450,989	—	1,368,052,421
Improvements other than buildings	1,498,593,877	176,990,628	—	1,675,584,505
Machinery and equipment	122,660,418	7,471,067	(1,356,420)	128,775,065
Intangibles	29,465,716	2,740,890	—	32,206,606
Total capital assets, being depreciated / amortized	<u>3,014,321,443</u>	<u>191,653,574</u>	<u>(1,356,420)</u>	<u>3,204,618,597</u>
Less accumulated depreciation / amortization for:				
Buildings	(332,624,634)	(29,155,605)	—	(361,780,239)
Improvements other than buildings	(724,416,158)	(62,425,132)	25,307	(786,815,983)
Machinery and equipment	(81,582,207)	(10,439,572)	952,706	(91,069,073)
Intangibles	(11,148,175)	(847,744)	—	(11,995,919)
Total accumulated depreciation and amortization	<u>(1,149,771,174)</u>	<u>(102,868,053)</u>	<u>978,013</u>	<u>(1,251,661,214)</u>
Total capital assets, being depreciated / amortized, net	<u>1,864,550,269</u>	<u>88,785,521</u>	<u>(378,407)</u>	<u>1,952,957,383</u>
Business-type activities capital assets, net	<u>\$2,350,905,832</u>	<u>\$164,051,550</u>	<u>\$(181,925,588)</u>	<u>\$2,333,031,794</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$14,349,275
Public safety	25,705,828
Physical environment	2,037,711
Transportation	36,066,653
Economic environment	650,890
Human services	1,617,380
Culture and recreation	8,563,909
Total depreciation expense—governmental activities	<u>\$88,991,646</u>
Business-type activities:	
Convention Center	\$31,523,389
Solid Waste System	7,393,479
Water Utilities System	63,951,185
Total depreciation expense—business-type activities	<u>\$102,868,053</u>

F. GOVERNMENTAL FUND BALANCES

.74 At September 30, 2011, the County's governmental fund balances were classified as follows:

	<i>Major Funds</i>			<i>Other</i>
	<i>General Fund</i>	<i>Fire Protection MSTU</i>	<i>Sales Tax Trust</i>	<i>Governmental Funds</i>
Nonspendable:				
Inventories and prepaids	\$467,616	\$ —	\$ —	\$ 1,056,984
Interfund loan	3,200,000	—	—	—
Due from other governmental agencies	—	—	—	124,366
Trusts and memorials	—	—	—	157,517
Restricted for:				
General government	1,756,713	—	—	7,745,589
Public safety	—	—	—	29,234,676
Physical environment	808,763	—	—	10,426,521
Transportation	—	—	—	159,907,826
Economic environment	—	—	—	34,264,396
Human services	—	—	—	47,955
Culture and recreation	—	—	—	10,446,964
Debt service	—	—	50,030,877	18,972,934
Committed to:				
General government	9,856	—	—	46,620
Public safety	—	52,510,229	—	—
Physical environment	—	—	—	44,164,716
Transportation	—	—	—	104,111,989
Human services	—	—	—	14,656
Culture and recreation	—	—	—	33,627,675

(continued)

	<i>Major Funds</i>			<i>Other Governmental Funds</i>
	<i>General Fund</i>	<i>Fire Protection MSTU</i>	<i>Sales Tax Trust</i>	
Assigned to:				
General government	5,592,861	—	—	170,067
Public safety	1,374,860	—	62,785,223	1,419,620
Transportation	—	—	43,800,000	24,346,646
Human services	1,145,819	—	—	238,199
Culture and recreation	—	—	—	15,199,530
Debt service	—	—	27,325,988	49,521,959
Unassigned:				
General government	<u>106,915,398</u>	<u>—</u>	<u>—</u>	<u>(1,930)</u>
Total fund balances	<u>\$ 121,271,886</u>	<u>52,510,229</u>	<u>183,942,088</u>	<u>\$ 545,245,475</u>

G. RISK MANAGEMENT AND INSURANCE COVERAGE

Risk Management Program

.75 The County maintains the Risk Management internal service fund which reports the costs and benefits of a mutual risk management, loss prevention, and self insurance program for property, liability, and workers' compensation losses. The self-insurance program covers the operations of the Board and the constitutional officers with the exception of the Sheriff's Office, which elects to assume responsibility for general liability, automobile, and workers' compensation losses related to its operations.

The Risk Management fund covers claims on losses up to the following limits:

<i>Amount Per Occurrence</i>	<i>Type of Coverage</i>
\$2,000,000	Workers' Compensation
1,000,000	Public Liability
500,000	Property, including Terrorism
2% of unit value	Named Windstorm
250,000	Environmental Liability
50,000	Money and Securities Theft
50,000	Employee Fidelity
50,000	Boiler and Machinery Breakdown
50,000	Storage Tank Liability

The County has excess insurance coverage in place for instances where losses exceed the previously stated limits. For occurrences during the period October 1985 through September 1999, no excess coverage for public liability insurance was obtained due to poor conditions in the insurance market. Any public liability loss for that period which exceeds the self-insurance coverage limit will remain the responsibility of the respective participant.

With regard to insurance coverages for the Sheriff's Office, all general liability and automobile claims incurred subsequent to September 30, 1996, except for fiscal year 2000 claims covered by a commercial insurance carrier, are covered by the Florida Sheriff's Self-Insurance Fund, a risk management pool to which risk is transferred in exchange for annual premium payments. These payments are accounted for as General

Fund expenditures. Sheriff's Office workers' compensation claims since October 1, 1999, are covered by commercial insurance carriers, subject to a \$250,000 per claim deductible.

Effective October 1, 2004, the Sheriff became self-insured for workers' compensation, subject to a \$400,000 deductible. The Sheriff has been self-insured for health claims since October 1, 2003. The worker's compensation and health insurance liabilities described here are accounted for through internal service funds. In addition to certain bank deposits administered by the Sheriff's third party administrators, the Sheriff has an unused \$1,257,283 letter of credit outstanding to secure payment for workers' compensation claims incurred since October 1, 1999. There have been no claims made against the letter of credit.

There have been no claim settlements in excess of insurance coverage during the three fiscal years ended September 30, 2011. Coverage limits for flood and earthquake damages, damages from named windstorms, and damages from other wind or hail events, are set at \$50 million, \$100 million, and \$500 million, respectively.

The claims liability reported in the Risk Management, Sheriff's Health Insurance and Sheriff's Workers' Compensation Internal Service funds at September 30, 2011 and 2010 in accordance with the requirements of GASB Statement No. 10 is based on an actuarial review of claims pending and past experience. The liability is recorded on a present value basis, excluding nonincremental claims adjustment expenses and using a discount factor of 3.5 percent. The undiscounted liability as of September 30, 2011 is \$58,833,651. Changes in the fund's claims liability amount during fiscal years 2011 and 2010 were:

	<i>Year ended September 30</i>	
	<i>2011</i>	<i>2010</i>
Liability beginning balance	\$48,574,843	\$50,957,201
Claims and changes in estimates	31,643,505	32,001,366
Claim payments	(30,619,464)	(34,383,724)
Liability ending balance	<u>\$48,598,884</u>	<u>\$48,574,843</u>

Self-Insurance—Employee Medical Benefits

.76 Effective January 1, 2007, the County converted from a fully-insured to a self-insured plan for employee medical benefits. The plan covers all regular employees and certain retirees and former employees of the County and their eligible dependents. Pursuant to interlocal agreements, all of the constitutional officers except for the Sheriff, as well as five other small local governmental agencies, are participating in the County's plan. In accordance with GASB Statement No. 10, the plan is accounted for through the County's Employee Benefits internal service fund.

The self-insurance plan covers claims up to \$450,000 per individual per year. The County has purchased an insurance policy to cover claims in excess of this amount, up to a maximum of \$1 million during the lifetime of a covered individual.

The claims liability of \$4,794,010 reported in the Employee Benefits internal service fund is the actuarially determined undiscounted amount. The change in the fund's claims liability amount during fiscal years 2011 and 2010 was:

	<i>Year ended September 30</i>	
	<i>2011</i>	<i>2010</i>
Liability beginning balance	\$6,678,789	\$6,292,612
Claims incurred	63,601,043	81,511,624
Claim payments	(65,485,822)	(81,125,447)
Liability ending balance	<u>\$4,794,010</u>	<u>\$6,678,789</u>

Durham County Library District Self-Insurance for Employee Medical Benefits

.77 Effective January 1, 2007, the District converted from a fully-insured to a self-insured plan for employee medical benefits. In accordance with GASB Statement No. 10, the plan is accounted in a District internal service fund.

For the calendar year ended December 31, 2011, the self-insured plan covered claims up to \$150,000 per individual. The District purchased excess stop loss coverage on an individual basis where losses exceed the \$150,000 limit.

The claims liability of \$94,288 reported in the District internal service fund is the actuarially determined undiscounted amount. The change in the fund's claims liability amount during fiscal years 2011 and 2010 was:

	Year ended September 30	
	2011	2010
Liability beginning balance	\$105,836	\$98,172
Claims incurred	1,553,680	1,738,211
Claim payments	(1,565,228)	(1,730,547)
Liability ending balance	<u>\$94,288</u>	<u>\$105,836</u>

H. RETIREMENT SYSTEMS

Florida Retirement System

.78 *Plan description.* Except for employees of the Library District, all of the employees of the primary government participate in the Florida Retirement System (FRS), administered by the Florida Department of Management Services. Employees elect participation in either the defined benefit plan ("Pension Plan"), a multiple-employer cost-sharing defined benefit retirement plan, or the defined contribution plan ("Investment Plan") under the FRS. As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida Legislature.

Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6 percent of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Special Risk Administrative Support class members who retire at or after age 55 with at least six years of credited service or 25 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6 percent of their final average compensation based on the five highest years of salary, for each year of credited service. Special Risk class members (sworn law enforcement officers, firefighters, and correctional officers) who retire at or after age 55 with at least six years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0 percent of their final average compensation based on the five highest years of salary for each year of credited service. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0 percent of their final average compensation based on the five highest years of salary for each year of credited service. Elected Officers' class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0 percent (3.33 percent for judges and justices) of their final average compensation based on the five highest years of salary for each year of credited service.

Substantial changes were made to the Pension Plan during fiscal year 2011 affecting new members enrolled on or after July 1, 2011 by extending the vesting requirement to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular, Senior Management Service, and Elected Officers' class members, and to age 60 or 30 years of service regardless of age for Special Risk and Special Risk Administrative Support class members. Also, the final average compensation for all these members will be based on the eight highest years of salary. A postemployment health insurance subsidy is also provided to eligible retired employees through the FRS in accordance with Florida Statutes.

In addition to the previously described benefits, the FRS administers a Deferred Retirement Option Program (DROP). This program allows eligible employees to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

For those employees who elect participation in the Investment Plan rather than the Pension Plan, vesting occurs at one year of service. These participants receive a contribution for self-direction in an investment product with a third party administrator selected by the State Board of Administration.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the website http://dms.myflorida.com/human_resource_support/retirement.

Funding policy. Effective July 1, 2011, all enrolled members of the FRS other than DROP participants, are required to contribute 3.0 percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods October 1, 2010 through June 30, 2011 and July 1, 2011 through September 30, 2011, respectively, were as follows: Regular—10.77 percent and 4.91 percent; Special Risk—23.25 percent and 14.10 percent; Special Risk Administrative Support—13.24 percent and 6.04 percent; Senior Management Service—14.57 percent and 6.27 percent; Elected Officers'—18.64 percent and 11.14 percent; and DROP participants—12.25 percent and 4.42 percent.

The County contributed to the plan an amount equal to 13.77 percent of covered payroll during the fiscal year ended September 30, 2011. County contributions to the FRS for the fiscal years ending September 30, 2009 through 2011 were \$70,816,221, \$70,716,627 and \$67,051,700, respectively, which were equal to the required contributions for each fiscal year. The County has historically contributed amounts equal to required contributions and, therefore, does not have a pension asset or liability as determined in accordance with GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*.

Durham County Library District Defined Benefit Pension Plan

.79 Plan description. The Durham County Library District (District) administers a single-employer defined benefit pension plan (Defined Benefit Pension Plan for Employees of the Durham County Library District) covering full-time employees who have completed one year of service.

The retirement plan provides retirement benefits as well as death benefits. Plan provisions and contribution requirements are established and outlined in the Plan document and may be amended by the Durham County Library Board of Trustees. Separate, stand-alone financial statements for the defined benefit pension plan are not prepared.

At January 1, 2011, the date of the latest actuarial valuation, plan participation consisted of:

Retirees and beneficiaries receiving benefits	108
Terminated employees entitled to benefits but not yet receiving them	52
Current active employees	<u>145</u>
Total	<u><u>305</u></u>

Funding policy. The District is obligated by the Plan document to make periodic contributions to the plan, which are recognized in the period that the contributions are due and the employer has made a final commitment to provide the contributions.

The required contributions are actuarially determined and include normal costs. Employer contribution rates are determined using the frozen entry age actuarial cost method. The annual required contribution (ARC) is calculated as the normal cost plus the amount necessary to fully amortize the unfunded frozen actuarial liability by January 1, 2020, amounting to \$891,426 or 15 percent of covered payroll for the year ended September 30, 2011. Employees do not make contributions to the plan. The Schedule of Employer Contributions, presented as required supplementary information following the notes to the financial statements, presents multiyear information about the contributions made by the District for the last six years.

Benefits and refunds paid to participants are recorded when due and payable in accordance with the terms of the plan document. Administrative expenses are financed through investment earnings.

The following table shows the components of the Plan's annual cost, the amount actually contributed, and the changes in the Net Pension Obligation as of September 30, 2011:

Annual Required Contribution (ARC)	\$891,426
Interest on net pension asset	16,500
Adjustment to ARC	<u>20,679</u>
Annual pension cost (APC)	887,247
Contributions made	<u>(1,056,751)</u>
Decrease in net pension asset (contribution in excess of ARC)	(169,504)
Net pension asset—beginning of year	<u>235,716</u>
Net pension obligation—end of year	<u><u>\$66,212</u></u>

Three Year Trend Information

.80

<i>Year Ended September 30</i>	<i>Annual Pension Cost (APC)</i>	<i>APC Contributed</i>	<i>Net Pension Obligation</i>
2009	\$1,847,611	65%	\$447,997
2010	\$1,220,118	117%	\$235,716
2011	\$887,247	119%	\$66,212

In accordance with GASB Statement No. 27, Accounting for Pensions by State and Local Government Employers, the \$66,212 cumulative net pension obligation is combined with the Clerk of the Circuit and County Courts' Other Postemployment Benefits obligation and is presented as a liability on the government-wide statement of net assets.

Funded Status and Funding Progress

.81 The most recent actuarial report for the Plan was prepared as of January 1, 2011. As of that point in time, the actuarial accrued liability for benefits was \$34,284,782 and the actuarial value of investments was \$33,695,627 resulting in an unfunded actuarial accrued liability of \$589,155 and a funded ratio of 98 percent. The annual covered payroll was \$6,104,311 and the ratio of the unfunded actuarial accrued liability to covered payroll was 10 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements,

presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

.82 Following is a summary of the actuarial methods and significant actuarial assumptions used in the latest actuarial valuation, dated January 1, 2011. Plan changes, reflected in the current year's actuarial methods and assumptions, include the application of a cost of living adjustment.

Actuarial methods:

Actuarial cost method	Frozen Entry Age
Asset valuation method	Market Value
Amortization method	Level Percent
Amortization period (open)	10 years

Actuarial assumptions:

Investment return, including inflation	7.0%
Projected salary increases	5.0%
Inflation rate	0.0%
Cost-of-living adjustment	2.0% per annum
Mortality table	1994 Group Annuity Mortality Table

Durham County Library District Defined Contribution Pension Plan

.83 The District administers a single-employer defined contribution pension plan (Defined Contribution Plan and Trust for Employees of Durham County Library District) in lieu of participation in Social Security. Plan provisions and contribution requirements are established and may be amended by the Durham County Library Board of Trustees. Separate, stand-alone financial statements for the defined contribution plan are not prepared.

All employees are eligible to participate in the plan at date of hire. At September 30, 2011, there were 346 plan participants, the fair value of the plan investments was \$12,923,958. The District is obligated by the plan document to make contributions equal to at least 7.5 percent of the annual compensation of each member of the plan. There is no requirement for employees to contribute. For the year ended September 30, 2011, the District contributed \$916,574 to the plan. Contributions from the District are recognized as revenue to the plan when due and the employer has made a final commitment to provide the contribution. The amount credited to the contribution account of an employee shall be 100 percent vested at all times. Benefits paid to participants are recorded when due and payable in accordance with the terms of the plan document. Administrative costs are financed through investment earnings.

Durham County Library District Money Purchase Pension Plan

.84 The District administers a single employer defined contribution plan (Money Purchase Plan and Trust for Employees of the Durham County Library District) (the Money Purchase Plan) for full time employees hired on or after January 1, 2007. In addition to new hires, existing participants in the District's Defined Benefit Pension Plan were given a one time opportunity to freeze their benefits in that plan and begin participating in the Money Purchase Plan. Sixty-six participants in the Defined Benefit Pension Plan made this election in May 2007.

Plan provisions and contribution requirements are established and outlined in the Money Purchase Plan document, which may be amended by the District's Board of Trustees. Separate, stand-alone financial statements for the Money Purchase Plan are not prepared.

Employees are eligible to participate in the Money Purchase Plan from date of hire. At September 30, 2011, there were 90 participants and the fair value of the Money Purchase Plan investments was \$1,579,094.

The District is obligated by the Money Purchase Plan document to make contributions equal to nine percent (9 percent) of Annual Compensation of each member. For the year ended September 30, 2011, the District contributed \$351,358 to the Money Purchase Plan. Such contributions from the District are recognized as revenue by the Money Purchase Plan when due and when the employer has made a final commitment to provide contributions. Participants become fully vested in the District's contributions after one year from date of hire. Benefits paid to participants are recorded when due and payable in accordance with the terms of the Money Purchase Plan document. Administrative costs are financed through investment earnings.

I. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Durham County Other Postemployment Benefit Plan

.85 Plan description. The Board and all constitutional officers, except for the Clerk of the Circuit and County Courts, administer a single-employer defined other postemployment benefit plan (OPEB Plan) and can amend the benefit provisions. In accordance with its Personnel Policies and Collective Bargaining Agreements, the Board offers an OPEB Plan that subsidizes the cost of health care for its retirees and eligible dependents. Board employees with at least 10 years of combined service under the Board, the Comptroller, Property Appraiser, Sheriff, Supervisor of Elections, or Tax Collector who retire and immediately begin receiving benefits from the Florida Retirement System (FRS) are eligible to receive a monthly health care subsidy payment of three dollars per year of service up to a maximum of \$90 per month. If combined service is at least 20 years and receipt of FRS benefits is deferred to a later date, this monthly benefit may be vested for commencement at such deferral date. Additionally, in accordance with State statute, Board employees who retire and immediately begin receiving benefits from the FRS have the option of continuing in the County health insurance plan at the same group rate as for active employees. Benefit provisions for the County Comptroller and Supervisor of Elections are essentially the same as the Board. Benefit provisions for the Sheriff, Property Appraiser (if employed prior to October 1, 2005) and Tax Collector differ in that the monthly health care subsidy payment is five dollars per year of service up to a maximum of \$150 per month. Also, there are differences in the service reciprocity and vesting features of their respective plans.

In September 2007, the County established the Durham County Health Care Benefit Trust (Trust), a qualifying trust, and began funding its OPEB Plan obligation. The Clerk of the Circuit and County Courts was excluded from participation in the Trust, and benefit provisions of constitutional officers that exceed those of the Board are excluded from the Trust. Separate stand-alone financial statements for the Trust are not prepared.

At September 30, 2011, the date of the latest actuarial valuation, plan participation consisted of:

OPEB plan participants	9,489
Retirees receiving benefits	2,258

Funding policy. The County has the authority to establish and amend funding policy. For the year ended September 30, 2011, the County contributed \$3,892,762 to the OPEB Plan, including a contribution of \$1,844,671 to the Trust. It is the County's intent to base future Trust contributions on the annual OPEB cost (AOC) in subsequent annual actuarial reports; however, no Trust contributions are legally or contractually required. In the 2011 fiscal year, the remaining AOC amount of \$4,419,848 was paid directly to the Employee Benefits internal service fund instead of the Trust in order to compensate for unreimbursed retiree implicit rate subsidies of prior fiscal years.

Annual OPEB cost and net OPEB asset. The annual cost of the County's OPEB Plan is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB Plan cost for the year, the amount actually contributed, and the changes in the net OPEB Plan obligation.

Annual Required Contribution (ARC)	\$6,466,491
Interest on net OPEB Asset	(748,692)
Adjustment to ARC	<u>546,720</u>
Annual OPEB cost	6,264,519
Contributions made	<u>(3,892,762)</u>
Decrease in net OPEB asset (contribution less than AOC)	2,371,757
Net OPEB asset (cumulative net contribution in excess of ARC)—beginning of year	<u>(9,982,559)</u>
Net OPEB asset (cumulative net contribution in excess of ARC)—end of year	<u><u>\$(7,610,802)</u></u>

Three Year Trend Information

.86

<i>Year Ended September 30</i>	<i>Annual OPEB Cost</i>	<i>Annual OPEB Cost Contributed</i>	<i>Net OPEB Asset</i>
2009	\$8,271,979	151%	(\$7,875,859)
2010	\$8,536,557	125%	(\$9,982,559)
2011	\$6,264,519	62%	(\$7,610,802)

The County's net OPEB asset is reported as an asset in the government-wide statement of net assets.

Funded status and funding progress. As of the September 30, 2011 actuarial valuation date, the OPEB Plan was 33.5 percent funded, the actuarial accrued liability for benefits was \$77.0 million, and the actuarial value of assets was \$25.8 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$51.2 million. The annual covered payroll was \$471.8 million, and the ratio of the UAAL to the covered payroll was 10.9 percent. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Calculations for financial reporting purposes are based on the benefits provided under terms of the substantive plan (the plan as understood by the employer and the plan members) in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The actuarial methods are:

Actuarial cost method	Entry Age cost method
Amortization method	Level percent of payroll projected to grow 3.5% per year
Amortization period (closed)	30 years
Asset valuation method	Fair value

The actuarial assumptions are:

Investment rate of return	7.5%
Projected annual salaries increase	4.5%
Inflation rate	Included in healthcare cost trend
Healthcare cost trend rate	Increase of 10.5% pre Medicare and 7.5% post Medicare for the 2011 fiscal year grading to an ultimate rate of 5.5% for the 2019 fiscal year

Clerk of the Circuit and County Courts Other Postemployment Benefit Plan

.87 Plan description. The Clerk of the Circuit and County Courts (Clerk) administers a single-employer defined other postemployment benefit plan (OPEB Plan) that subsidizes the cost of health care for its retirees and eligible dependents. Retirees with at least 10 years of service under the Clerk who are receiving benefits from the FRS are eligible to receive a monthly benefit of five dollars per year of service up to a maximum of \$150 per month. Additionally, in accordance with State Statute, Clerk employees who retire and immediately begin receiving benefits from the FRS have the option of continuing in the County health insurance plan at the same group rate as for active employees.

In June 2009, the Clerk established the Durham County Clerk of the Circuit and County Courts Retiree Health Insurance Subsidy Trust ("Trust"), a qualifying trust, and began funding its OPEB Plan obligation. Separate stand-alone financial statements for the Trust are not prepared.

At September 30, 2011, the date of the latest actuarial valuation, plan participation consisted of:

OPEB plan participants	490
Retirees receiving benefits	100

Funding policy. The Clerk funds its OPEB obligations on a pay-as-you-go basis, and has the authority to establish and amend its funding policy. However, during fiscal year 2009, the Clerk contributed \$300,000 as a one-time contribution to the Trust to be used to fund current subsidy payments to participants for upcoming fiscal years.

Annual OPEB cost and net OPEB obligation. The Clerk engaged an actuarial firm to determine the estimated obligation associated with OPEB as of September 30, 2011, as well as the actuarially required contribution (ARC) for funding this obligation. Based on this report, including assumptions that the ARC is not fully funded and has an average return on investment of 3.5 percent, the ARC for the Clerk's office in fiscal year 2011 was \$496,444. The annual cost (expense) of the OPEB Plan is calculated based on the ARC. The Clerk's annual OPEB cost, contributions made, and net OPEB obligation for 2011 are as follows:

Annual Required Contribution (ARC)	\$496,444
Interest on net OPEB Obligation	45,731
Adjustment to ARC	(43,553)
Annual OPEB cost	498,622
Contributions made	(352,055)
Increase in net OPEB obligation	146,567
Net OPEB obligation—beginning of year	1,306,601
Net OPEB obligation—end of year	<u>\$1,453,168</u>

Three Year Trend Information

.88

<i>Year Ended September 30</i>	<i>Annual OPEB Cost (AOC)</i>	<i>AOC Contributed</i>	<i>Net OPEB Obligation</i>
2009	\$655,371	78%	\$1,024,630
2010	\$650,150	42%	\$1,306,601
2011	\$498,611	71%	\$1,453,168

The Clerk recognizes OPEB expenditures as amounts are funded.

Funded status and funding progress. As of the September 30, 2011 actuarial valuation date, the Clerk's OPEB Plan was 4.2 percent funded, the actuarial accrued liability for benefits was \$6,257,734 and the actuarial value of assets was \$263,139, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,994,595. The annual covered payroll was \$19,993,723, and the ratio of the UAAL to the covered payroll was 30.0 percent. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Calculations for financial reporting purposes are based on the benefits provided under terms of the substantive plan (the plan as understood by the employer and the plan members) in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The actuarial methods are:

Actuarial cost method	Entry Age cost method
Amortization method	Level percent of payroll projected to grow 3.5% per year
Amortization period (closed)	30 years
Asset valuation method	Fair value

The actuarial assumptions are:

Investment rate of return	3.5%
Projected annual salaries increase	4.5%
Inflation rate	Included in healthcare cost trend
Healthcare cost trend rate	Increase of 10.5% pre Medicare and 7.5% post Medicare for the 2011 fiscal year grading to an ultimate rate of 5.5% for the 2019 fiscal year

Durham County Library District Other Postemployment Benefit Plan

.89 Plan description. The Durham County Library District (District) administers a single-employer defined other postemployment benefit plan (OPEB Plan) and can amend the benefit provisions. In accordance with its Employee Handbook and Collective Bargaining Agreement (CBA), the District provides health care insurance coverage and a limited life insurance benefit to those employees who retire under the terms of the District's Defined Benefit Pension Plan on or after attaining age 55 with at least 10 years of service.

In accordance with State statute, all retiring employees must be provided access to the District's group health insurance coverage. For Non-CBA retirees hired prior to January 1, 2007, the District pays the entire cost of this coverage. Non-CBA retirees hired after this date pay the full cost of the coverage should they elect this benefit. For CBA retirees hired prior to December 10, 2004, the District pays a fixed reimbursement with the balance of the cost of the District's group coverage being paid by the retiree. CBA retirees who retired before October 10, 2008 also have the option of obtaining independent health coverage and receiving the fixed reimbursement. Dependents of retirees may be covered at the retirees' option the same as dependents of active employees (retirees pay the full cost).

Non-CBA retirees are eligible to participate in the District's dental plan just like current employees. There is no additional subsidy towards the dental insurance for retirees of the CBA and they are required to pay the entire premium should they elect this benefit. Life insurance in the amount of \$1,000 is provided to all retirees.

In March 2007, the District established a qualifying trust and began funding its OPEB Plan obligation. Separate, stand-alone financial statements for the trust are not prepared.

At January 1, 2011, the date of the latest actuarial valuation, plan participation consisted of:

OPEB plan participants	216
Retirees receiving benefits	101

Funding policy. The District has the authority to establish and amend the funding policy for its OPEB Plan. For the year ended September 30, 2011, the District contributed \$1,469,302, which was the annual required contribution per the January 1, 2011 actuarial report for the Plan. It is the District's intent to base future contributions on the ARC in subsequent actuarial reports.

OPEB Plan member contributions are recognized in the period that they are due. Employer contributions to the OPEB Plan are recognized as revenue when due and the employer has made a final commitment to provide the contributions. The Schedule of Employer Contributions presented as required supplementary information following the notes to the financial statements, presents multiyear information about the contributions made by the District for the last two years. If CBA plan members elect to participate in the District's group health insurance coverage, they are responsible for paying the difference between the cost of this coverage (\$637 per month) and the fixed reimbursement, which varies depending on the retirement date. All retirees are responsible for contributing the entire cost of any dependent coverage.

Annual OPEB cost and net OPEB obligation. The cost of the District's OPEB Plan is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB Plan cost for the year, the amount actually contributed, and the changes in the District's net OPEB Plan obligation as of September 30, 2011.

Annual Required Contribution (ARC)	\$1,469,302
Interest on net OPEB obligation	—
Adjustment to ARC	—
Annual OPEB cost	1,469,302
Contributions made	(1,469,302)
Change in net OPEB obligation	—
Net OPEB obligation—beginning of year	—
Net OPEB obligation—end of year	\$ —

Three Year Trend Information

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<i>Year Ended September 30</i>	<i>Annual OPEB Cost</i>	<i>Annual OPEB Cost Contributed</i>	<i>Net OPEB Obligation</i>
2009	\$1,124,658	100%	\$ —
2010	\$1,392,656	100%	\$ —
2011	\$1,469,302	100%	\$ —

Benefits and refunds paid to participants are recorded when due and payable in accordance with the terms of the OPEB Plan.

Funded status and funding progress. The most recent actuarial report for the District's OPEB Plan was prepared as of January 1, 2011. At that point in time, the actuarial accrued liability for benefits was \$13,104,739 and the actuarial value of investments was \$5,310,458, resulting in an unfunded actuarial accrued liability of \$7,794,281. The annual covered payroll was \$9,257,137 and the ratio of the unfunded actuarial liability to covered payroll was 84 percent. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

<i>Valuation Date</i>	<i>January 1, 2011</i>
Actuarial methods:	
Actuarial cost method	Individual Entry Age Normal Cost Method
Asset valuation method	Market value
Amortization method	Level Percent of payroll, closed period
Amortization period (closed)	15 years
Actuarial assumptions:	
Investment return, including inflation	7.0%
Projected salary increases	4.0%
Inflation rate	Included in healthcare cost trend
Healthcare cost trend rate	Monthly medical and prescription benefits are assumed to increase 9% for the 2012 fiscal year grading to an ultimate rate of 5% for the 2020 fiscal year

**J. DURHAM COUNTY, CLERK OF CIRCUIT AND COUNTY COURTS AND DURHAM
COUNTY LIBRARY DISTRICT PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST
FUND FINANCIAL STATEMENTS**

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Statement of Net Assets:
at September 30, 2011

Assets

Cash and cash equivalents

Investments:

Domestic equity securities/mutual funds

International equity securities/mutual funds

Real estate/mutual funds

Money market accounts and mutual funds

Stable value account and mutual funds

Fixed income mutual funds

Corporate bonds

Government bonds

Asset backed securities

Total investments

Accounts receivable

Accrued income

Prepaid items

Total assets**Liabilities**

Accounts payable

Total liabilities

State and Local Governments

	District Defined Benefit	District Defined Contribution	District Money Purchase	District OPEB	County OPEB	Clerk OPEB	Totals
	\$249,329	\$ —	\$ —	\$9,134	\$147,861	\$269,139	\$675,463
	12,292,822	7,190,584	1,015,190	3,040,780	15,370,083	—	38,909,459
	5,863,054 909,447	1,501,568 —	236,736 —	945,375 —	6,684,586 —	—	15,231,319 909,447
	1,883,514	14,741	5,868	—	584,570	—	2,488,693
	—	1,557,603	164,479	—	—	—	1,722,082
	—	2,659,462	156,821	1,604,565	5,150,286	—	9,571,134
	2,243,612	—	—	—	—	—	2,243,612
	9,088,846	—	—	—	—	—	9,088,846
	1,773,575	—	—	—	—	—	1,773,575
	34,054,870	12,923,958	1,579,094	5,590,720	27,789,525	—	81,938,167
	4,805,793	—	—	—	—	—	4,805,793
	54,623	—	—	—	—	—	54,623
	—	—	—	19,262	—	—	19,262
	39,164,615	12,923,958	1,579,094	5,619,116	27,937,386	269,139	87,493,308
	8,436,762	—	—	62,388	2,072,997	—	10,572,147
	8,436,762	—	—	62,388	2,072,997	—	10,572,147

(continued)

Net assets

Held in trust for pension and OPEB benefits

District Defined Benefit	District Defined Contribution	District Money Purchase	District OPEB	County OPEB	Clerk OPEB	Totals
\$30,727,853	\$12,923,958	\$1,579,094	\$5,556,728	\$25,864,389	\$269,139	\$76,921,161

Statement of Changes in Net Assets: year ended September 30, 2011

Additions:

Employer contributions
Employee contributions
Investment loss

\$1,056,751	\$916,574	\$351,358	\$1,469,302	\$1,844,755	\$	\$5,638,740
—	—	5,176	—	—	—	5,176
(404,188)	(126,088)	(50,409)	(131,963)	(984,446)	(383)	(1,697,477)
652,563	790,486	306,125	1,337,339	860,309	(383)	3,946,439

Total additions

Deductions:

Benefits paid to participants
Administrative expenses

1,351,257	686,742	69,931	485,241	3,177,662	—	5,770,833
14,467	432	78	—	—	—	14,977
1,365,724	687,174	70,009	485,241	3,177,662	—	5,785,810

Total deductions

Increase (decrease) in net assets

(713,161)	103,312	236,116	852,098	(2,317,353)	(383)	(1,839,371)
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Net assets—beginning of year

31,441,014	12,820,646	1,342,978	4,704,630	28,181,742	269,522	78,760,532
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Net assets—end of year

\$30,727,853	\$12,923,958	\$1,579,094	\$5,556,728	\$25,864,389	\$269,139	\$76,921,161
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K. CHANGES IN LONG-TERM LIABILITIES

.92 A summary of the changes in long-term liabilities (current and noncurrent portions) of the County for the year ended September 30, 2011, is as follows:

	Balance 10/1/10	Additions	Reductions	Balance 9/30/11	Due Within One Year
Governmental activities:					
Revenue bonds payable	\$421,901,071	\$ —	\$(19,449,939)	\$402,451,132	\$18,390,373
Less unamortized costs:					
Bond premium (discount)	3,840,407	—	(656,611)	3,183,796	—
Bond issuance costs	(3,338,080)	—	328,661	(3,009,419)	—
Deferred amount on refunding	(7,090,908)	—	705,942	(6,384,966)	—
Total revenue bonds payable, net of unamortized costs	415,312,490	—	(19,071,947)	396,240,543	18,390,373
Accreted interest payable	26,963,617	—	(1,815,829)	25,147,788	—
Notes payable	2,113,520	15,395,000	(2,113,520)	15,395,000	1,185,000
Compensated absences payable	76,118,415	46,569,868	(51,911,573)	70,776,710	60,989,366
Landfill closure costs payable	5,743,226	57,432	—	5,800,658	193,355
Liability, health and workers' compensation claims payable	55,359,468	96,798,228	(97,670,514)	54,487,182	17,362,389
Capital leases	288,638	1,258,387	(1,342,565)	204,460	124,973
Governmental activity long-term liabilities	<u>\$581,899,374</u>	<u>\$160,078,915</u>	<u>\$(173,925,948)</u>	<u>\$568,052,341</u>	<u>\$98,245,456</u>
Business-type activities:					
Revenue bonds payable	\$903,815,000	\$ —	\$(29,285,000)	\$874,530,000	\$29,985,000
Less unamortized costs:					
Bond premium (discount)	43,190,298	—	(5,385,549)	37,804,749	—
Bond issuance costs	(6,625,680)	—	515,737	(6,109,943)	—
Deferred amount on refunding	(62,450,292)	—	4,452,438	(57,997,854)	—
Total revenue bonds payable, net of unamortized costs	877,929,326	—	(29,702,374)	848,226,952	29,985,000
Compensated absences payable	8,437,464	4,801,336	(5,330,886)	7,907,914	5,306,520
Landfill closure costs payable	49,190,287	13,336,670	(27,412,876)	35,114,081	374,277
Loans payable	10,896,603	—	(562,591)	10,334,012	507,477
Business-type activities long-term liabilities	<u>\$946,453,680</u>	<u>\$18,138,006</u>	<u>\$(63,008,727)</u>	<u>\$901,582,959</u>	<u>\$36,173,274</u>

State and Local Governments

L. BONDS PAYABLE

Summary of Bonded Indebtedness

.93 The following is a summary of bonded indebtedness of the primary government as of September 30, 2011:

	<i>Amount Outstanding</i>
<u>Governmental Activities:</u>	
Sales Tax Revenue Refunding Bonds, Series 1999	\$28,960,000
Sales Tax Revenue Refunding Bonds, Series 2002A	125,460,000
Sales Tax Revenue Bonds, Series 2002B	105,685,000
Sales Tax Revenue Refunding Bonds, Series 2006	38,940,000
Capital Improvement and Refunding Revenue Bonds, Series 1992 (excludes \$4,713,231 accreted interest on capital appreciation bonds)	1,953,488
Capital Improvement Refunding Revenue Bonds, Series 2009	23,900,000
Public Facilities Revenue Bonds, Series 1994A (excludes \$20,434,557 accreted interest on capital appreciation bonds)	10,367,644
Public Service Tax Refunding and Improvement Revenue Bonds, Series 2003	67,185,000
Total Governmental Activities Revenue Bonds	<u>\$402,451,132</u>
	<i>Amount Outstanding</i>
<u>Business-type Activities:</u>	
Tourist Development Tax Revenue Bonds, Series 2002	\$2,460,000
Tourist Development Tax Refunding Revenue Bonds, Series 2002A	18,515,000
Tourist Development Tax Refunding Revenue Bonds, Series 2003A	16,535,000
Tourist Development Tax Refunding Revenue Bonds, Series 2005	227,100,000
Tourist Development Tax Refunding Revenue Bonds, Series 2006	73,115,000
Tourist Development Tax Refunding Revenue Bonds, Series 2007	139,015,000
Tourist Development Tax Refunding Revenue Bonds, Series 2007A	159,125,000
Tourist Development Tax Refunding Revenue Bonds, Series 2009	83,405,000
Tourist Development Tax Refunding Revenue Bonds, Series 2010	144,395,000
Water Utilities System Refunding Revenue Bonds, Series 1998	10,865,000
Total Business-type Activities Revenue Bonds	<u>\$874,530,000</u>

Principal and Interest Requirements to Maturity

.94 The following represents the debt service requirements to maturity for primary government bonded indebtedness as of September 30, 2011 (in thousands):

<i>Year Ending September 30</i>	<i>General Government</i>			<i>Business-type Activities</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2011*	\$8,915	\$6,117	\$15,032	\$29,985	\$21,307	\$51,292
2012	18,165	22,505	40,670	34,935	41,105	76,040
2013	18,579	22,040	40,619	36,710	39,339	76,049
2014	20,115	19,481	39,596	39,215	37,489	76,704

(continued)

FSP \$13,400.94

<i>Year Ending September 30</i>	<i>General Government</i>			<i>Business-type Activities</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2015	20,010	18,788	38,798	37,125	35,595	72,720
2016–2020	111,582	77,214	188,796	210,640	149,232	359,872
2021–2025	104,180	36,906	141,086	235,460	92,911	328,371
2026–2030	68,165	17,091	85,256	168,900	44,690	213,590
2031–2032	32,740	1,699	34,439	81,560	5,982	87,542
Totals	\$ 402,451	\$ 221,841	\$ 624,292	\$ 874,530	\$ 467,650	\$ 1,342,180

*Requirements shown for year ending September 30, 2011 relate to payments due on October 1, 2011.

Summary of Defeased Debt Outstanding

.95 The amount of primary government defeased debt still outstanding and not reported on the balance sheet as of September 30, 2011, is as follows:

	<i>Year(s) Defeased</i>	<i>Original Amount Defeased</i>	<i>Defeased Amount Outstanding</i>
Water and Sewer Revenue Bonds, Series 1982	1985	\$27,915,000	\$11,275,000
Tourist Development Tax Revenue Bonds, Series 1980	1985	34,260,000	10,880,000
Tourist Development Tax Revenue Bonds, Series 1985	1985	12,370,000	3,935,000
Sales Tax Revenue Bonds, Series 1989	1993/1999	56,090,000	14,170,000
Tourist Development Tax Revenue Bonds, Series 1990	1994/1997/ 2000	54,975,000	17,045,000
Tourist Development Tax Refunding Revenue Bonds, Series 1992A	2000/2002	71,745,000	3,970,000
Tourist Development Tax Revenue Bonds, Series 2002	2006/2007	206,855,000	206,855,000
Solid Waste Facility Refunding Revenue Bonds, Series 2003	2007	31,760,000	19,635,000
Totals		\$495,970,000	\$287,765,000

Summary of Bond Resolutions

.96 The following is a summary of primary government bond resolutions pertaining to debt reflected in the September 30, 2011 financial statements. Bond covenants of enterprise fund issues require supplemental disclosures in addition to those mentioned subsequently. The supplemental disclosures are found in the separate annual financial reports of each enterprise fund. Also, other required secondary market disclosures for all bonds outstanding are found in the separate Durham County, Florida Bond Disclosure Supplement for the year ended September 30, 2011.

.97 \$37,160,000 Sales Tax Revenue Refunding Bonds, Series 1999

Type: Governmental Activities Revenue Bonds

Dated: January 1999

Final maturity: Year 2018

Principal payment date: January 1

Interest payment dates: January 1 and July 1

Interest rates: 4.50 percent to 4.875 percent

Reserve requirement: The maximum annual debt service requirement for the outstanding Series 1999 bonds, \$8,734,126.

Revenue pledged: All of the Half-cent State Sales Tax accruing to Durham County. The total principal and interest remaining to be paid on this series is \$34,954,030. For the fiscal year, principal and interest paid on this series was \$2,591,606 and total pledged revenue was \$124,823,259.

Purpose: Advance refunding of all outstanding Sales Tax Revenue Bonds, Series 1989.

Call provisions: Bonds maturing on or after January 1, 2010 are subject to redemption prior to their maturity, at the option of the County in whole or in part by lot on any date with no premium.

.98 \$164,960,000 Sales Tax Revenue Refunding Bonds, Series 2002A, and \$113,105,000 Sales Tax Revenue Bonds, Series 2002B

Type: Governmental Activities Revenue Bonds

Dated: October 2002

Final maturity: Series 2002A—Year 2024; Series 2002B—Year 2032

Principal payment date: January 1

Interest payment date: January 1 and July 1

Interest rates: 3.50 percent to 5.125 percent

Reserve requirement: None, so long as annual pledged revenues exceed three times the maximum annual debt service for all outstanding Sales Tax bonds.

Revenue pledged: All of the Half-cent State Sales Tax accruing to Durham County. The total principal and interest remaining to be paid on these series is \$372,641,109. For the fiscal year, principal and interest paid on this series was \$17,961,688 and total pledged revenue was \$124,823,259.

Purpose: Series 2002A—current refunding of \$36,495,000 Sales Tax Refunding Revenue Bonds, Series 1993A, \$121,060,000 Sales Tax Revenue Bonds, Series 1993B, and \$14,025,000 Capital Improvement and Refunding Revenue Bonds, Series 1992; Series 2002B—to finance design and construction of correctional complex and other facilities, and to retire \$64,536,000 commercial paper notes.

Call provisions: Bonds maturing on or after January 1, 2014 are subject to redemption prior to their maturity, at the option of the County in whole or in part by lot on any date on or after January 1, 2013, with no premium.

Series 2002B term bonds maturing January 1, 2027, 2029, and 2032 are subject to mandatory redemption prior to maturity in part by lot at no premium in the following principal amounts on the dates specified:

Term bonds maturing January 1, 2027

<i>Date</i>	<i>Amount</i>
January 1, 2026	\$9,375,000
January 1, 2027 (final maturity)	9,845,000

Term bonds maturing January 1, 2029

<i>Date</i>	<i>Amount</i>
January 1, 2028	\$10,335,000
January 1, 2029 (final maturity)	14,495,000

Term bonds maturing January 1, 2032

<i>Date</i>	<i>Amount</i>
January 1, 2030	\$15,185,000
January 1, 2031	15,960,000
January 1, 2032 (final maturity)	16,780,000

.99 \$43,585,000 Sales Tax Revenue Refunding Bonds, Series 2006

Type: Governmental Activities Revenue Bonds

Dated: January 2006

Final maturity: Year 2028

Principal payment date: January 1

Interest payment dates: January 1 and July 1

Interest rates: 3.50 percent to 4.375 percent

Reserve requirement: None, so long as annual pledged revenues exceed three times the maximum annual debt service for all outstanding Sales Tax bonds.

Revenue pledged: All of the Half-cent State Sales Tax accruing to Durham County. The total principal and interest remaining to be paid on this series is \$54,231,777. For the fiscal year, principal and interest paid on this series was \$3,206,465 and total pledged revenue was \$124,823,259.

Purpose: Together with certain funds provided by the County, current refunding of all outstanding Sales Tax Revenue Bonds, Series 1998.

Call provisions: Bonds maturing on or after January 1, 2017 are subject to redemption prior to their maturity, at the option of the County in whole or in part by lot on any date on or after January 1, 2016, with no premium.

.100 \$43,280,361 Capital Improvement and Refunding Revenue Bonds, Series 1992

Type: Governmental Activities Revenue Bonds

Dated: December 1992

Final maturity: Year 2013

Principal payment date: October 1

Interest payment date: October 1—only capital appreciation bonds remain outstanding.

Interest rates: 6.60 percent to 6.65 percent yield

Reserve requirement: None

Revenue pledged: County receipts from the State Revenue Sharing Trust Fund provided by Chapter 218, Florida Statutes in an amount equal to fifty percent (50 percent) of the revenue received from this source in the immediately preceding fiscal year. The total principal and interest remaining to be paid on this series is \$7,145,000. For the fiscal year, principal and interest paid on this series was \$2,000,000 and total pledged revenue was \$13,343,941.

Purpose: Advance refunding of \$1,150,000 original principal of Capital Improvement Revenue Refunding Bonds, Series 1988A, \$14,482,815 original principal of Capital Improvement Revenue Bonds, Series 1988B, \$15,000,000 principal of outstanding Commercial Paper Notes, and to finance the cost of stormwater management projects, public safety facilities, criminal justice structures, and other capital improvement projects of the County.

Call provisions: Series 1992 bonds that remain outstanding are not subject to redemption prior to their stated dates of maturity.

.101 \$25,480,000 Capital Improvement Refunding Revenue Bonds, Series 2009

Type: Governmental Activities Revenue Bonds

Dated: May 2009

Final maturity: Year 2022

Principal payment date: October 1

Interest payment dates: April 1 and October 1

Interest rates: 2.50 percent to 5.25 percent

Reserve requirement: None

Revenue pledged: County receipts from the State Revenue Sharing Trust Fund provided by Chapter 218, Florida Statutes in an amount equal to fifty percent (50 percent) of the revenue received from this source in the immediately preceding fiscal year. The total principal and interest remaining to be paid on this series is \$31,223,344. For the fiscal year, principal and interest paid on this series was \$2,091,037 and total pledged revenue was \$13,343,941.

Purpose: Current refunding of outstanding Capital Improvement Refunding Revenue Bonds, Series 1998.

Call provisions: Series 2009 bonds are not subject to optional or mandatory redemption prior to their stated dates of maturity.

.102 \$33,843,803 Public Facilities Revenue Bonds, Series 1994A

Type: Governmental Activities Revenue Bonds

Dated: June 1994

Final maturity: Year 2019

Principal payment date: October 1

Interest payment dates: October 1—only capital appreciation bonds remain outstanding.

Interest rates: 6.30 percent to 6.50 percent yield

Reserve requirement: The lesser of (1) 125 percent of the average annual debt service, (2) the maximum annual debt service, or (3) 10 percent of the initial total principal of the bonds, \$4,355,000.

Revenue pledged: All of certain non-ad valorem revenues of the County. Among these are state sources of license revenues, local license and permit fees, local charges for service, and miscellaneous local revenue. The total principal and interest remaining to be paid on this series is \$39,195,000. For the fiscal year, principal and interest paid on this series was \$4,355,000 and total pledged revenue was \$30,542,469.

Purpose: To finance costs of construction and improvements to various County facilities and to redeem \$20,818,000 of commercial paper used for correctional facilities and telecommunication systems.

Call provisions: Series 1994A bonds that remain outstanding are not subject to redemption prior to their stated dates of maturity.

.103 \$117,035,000 Public Service Tax Refunding and Improvement Revenue Bonds, Series 2003

Type: Governmental Activities Revenue Bonds

Dated: September 2003

Final maturity: Year 2025

Principal payment date: October 1

Interest payment dates: April 1 and October 1

Interest rates: 3.375 percent to 5.00 percent

Reserve requirement: The lesser of (1) 125 percent of average annual debt service, (2) the maximum annual debt service, or (3) the maximum allowed without subjecting same to yield restriction or causing interest on the bonds to become taxable, \$7,189,149.

Revenue pledged: All of the Public Service Tax levied by the County. The total principal and interest remaining to be paid on this series is \$84,901,853. For the fiscal year, principal and interest paid on this series was \$9,876,394 and total pledged revenue was \$67,046,930.

Purpose: To advance refund \$27,795,000 outstanding Public Service Tax Revenue Bonds, Series 1995; to advance refund \$18,485,000 outstanding Public Facilities Revenue Bonds, Series 1994A; to currently refund \$17,240,000 outstanding Sales Tax Revenue Bonds, Series 1996; to prepay the remaining \$18,049,794 obligation under the Reedy Creek Improvement District Interchange Cost-Sharing Agreement; and to provide funds for acquiring additional environmentally sensitive lands and acquiring and improving parks and recreational facilities.

Call provisions: Bonds maturing on or after October 1, 2014 are subject to redemption prior to their maturity, at the option of the County in whole or in part (in such manner as determined by the County and by lot within a maturity) on any date on or after October 1, 2013 without premium.

.104 \$216,460,000 Tourist Development Tax Revenue Bonds, Series 2002

Type: Business-type Activities Revenue Bonds

Dated: March 2002

Final maturity: Year 2012

Principal payment date: October 1

Interest payment dates: April 1 and October 1

Interest rates: 4.375 percent to 4.50 percent

Reserve requirement: The maximum annual debt service requirement, for all outstanding series of Tourist Development Tax Revenue bonds, taken as a whole, \$72,724,074.

Revenue pledged: All of the first five cents of the Tourist Development Tax levied by the County, Convention Center net operating revenues, and investment earnings. The total principal and interest remaining to be paid on this series is \$2,571,300. For the fiscal year, principal and interest paid on this series was \$1,283,638 and total pledged revenue was \$144,832,023.

Purpose: To pay a portion of the costs of the Phase V expansion of the Convention Center.

Call provisions: Series 2002 bonds that remain outstanding are not subject to redemption prior to their stated date of maturity.

.105 \$57,340,000 Tourist Development Tax Refunding Revenue Bonds, Series 2002A

Type: Business-type Activities Revenue Bonds

Dated: May 2002

Final maturity: Year 2013

Principal payment date: October 1

Interest payment dates: April 1 and October 1

Interest rates: 5.375 percent to 5.50 percent

Reserve requirement: The maximum annual debt service requirement for all outstanding series of Tourist Development Tax Revenue Bonds taken as a whole, \$72,724,074.

Revenue pledged: All of the first five cents of the Tourist Development Tax levied by the County, Convention Center net operating revenues, and investment earnings. The total principal and interest remaining to be paid on this series is \$20,075,134. For the fiscal year, principal and interest paid on this series was \$6,710,176 and total pledged revenue was \$144,832,023.

Purpose: Current refunding of the outstanding \$58,165,000 Tourist Development Tax Refunding Revenue Bonds, Series 1992A.

Call provisions: Series 2002A bonds are not subject to optional or mandatory redemption prior to maturity.

.106 \$17,330,000 Tourist Development Tax Refunding Revenue Bonds, Series 2003A

Type: Business-type Activities Revenue Bonds

Dated: September 2003

Final maturity: Year 2019

Principal payment date: October 1

Interest payment dates: April 1 and October 1

Interest rate: 3.50 percent to 4.25 percent

Reserve requirement: The maximum annual debt service requirement for all outstanding series of Tourist Development Tax Revenue Bonds taken as a whole, \$72,724,074.

Revenue pledged: All of the first five cents of the Tourist Development Tax levied by the County, Convention Center net operating revenues, and investment earnings. The total principal and interest remaining to be paid on this series is \$20,873,593. For the fiscal year, principal and interest paid on this series was \$790,365 and total pledged revenue was \$144,832,023.

Purpose: Refunding \$15,780,000 of the outstanding Tourist Development Tax Revenue Bonds, Series 1994B.

Call provisions: Series 2003A bonds maturing on or after October 1, 2014 are subject to redemption prior to their maturity, at the option of the County, in whole or in part by lot on any date on or after October 1, 2013, with no premium.

.107 \$238,285,000 Tourist Development Tax Refunding Revenue Bonds, Series 2005

Type: Business-type Activities Revenue Bonds

Dated: May 2005

Final maturity: Year 2031

Principal payment date: October 1

Interest payment dates: April 1 and October 1

Interest rates: 4.25 percent to 5.00 percent

Reserve requirement: The maximum annual debt service requirement for all outstanding series of Tourist Development Tax Revenue Bonds taken as a whole, \$72,724,074.

Revenue pledged: All of the first five cents of the Tourist Development Tax levied by the County, Convention Center net operating revenues, and investment earnings. The total principal and interest remaining to be paid on this series is \$353,210,645. For the fiscal year, principal and interest paid on this series was \$21,556,563 and total pledged revenue was \$144,832,023.

Purpose: Refunding \$239,050,000 of the outstanding Tourist Development Tax Revenue Bonds, Series 2000.

Call provisions: Series 2005 bonds maturing on or after October 1, 2016 are subject to redemption prior to their maturity, at the option of the County, in whole or in part by lot on any date on or after October 1, 2015, with no premium.

.108 \$73,435,000 Tourist Development Tax Refunding Revenue Bonds, Series 2006

Type: Business-type Activities Revenue Bonds

Dated: June 2006

Final maturity: Year 2032

Principal payment date: October 1

Interest payment dates: April 1 and October 1

Interest rates: 3.75 percent to 5.00 percent

Reserve requirement: The maximum annual debt service requirement for all outstanding series of Tourist Development Tax Revenue Bonds taken as a whole, \$72,724,074.

Revenue pledged: All of the first five cents of the Tourist Development Tax levied by the County, Convention Center net operating revenues, and investment earnings. The total principal and interest remaining to be paid on this series is \$144,658,539. For the fiscal year, principal and interest paid on this series was \$3,598,984 and total pledged revenue was \$144,832,023.

Purpose: Refunding \$70,475,000 of the outstanding Tourist Development Tax Revenue Bonds, Series 2002.

Call provisions: Series 2006 bonds maturing on or after October 1, 2017 are subject to redemption prior to their maturity, at the option of the County in whole or in part by lot on any date on or after October 1, 2016, with no premium.

Series 2006 term bonds maturing on October 1, 2024 and 2030 are subject to mandatory redemption prior to maturity in part by lot at no premium in the following principal amounts on the dates specified:

Term bonds maturing October 1, 2024

<i>Date</i>	<i>Amount</i>
October 1, 2023	\$2,290,000
October 1, 2024 (final maturity)	2,395,000

Term bonds maturing October 1, 2030

<i>Date</i>	<i>Amount</i>
October 1, 2025	\$125,000
October 1, 2026	130,000
October 1, 2027	135,000
October 1, 2028	140,000
October 1, 2029	145,000
October 1, 2030 (final maturity)	155,000

.109 \$139,635,000 Tourist Development Tax Refunding Revenue Bonds, Series 2007

Type: Business-type Activities Revenue Bonds

Dated: June 2007

Final maturity: Year 2030

Principal payment date: October 1

Interest payment dates: April 1 and October 1

Interest rates: 4.00 percent to 4.75 percent

Reserve requirement: The maximum annual debt service requirement all outstanding series of Tourist Development Tax Revenue Bonds taken as a whole, \$72,724,074.

Revenue pledged: All of the first five cents of the Tourist Development Tax levied by the County, Convention Center net operating revenues, and investment earnings. The total principal and interest remaining to be paid on this series is \$239,843,789. For the fiscal year, principal and interest paid on this series was \$6,543,043 and total pledged revenue was \$144,832,023.

Purpose: Refunding \$136,380,000 of the outstanding Tourist Development Tax Revenue Bonds, Series 2002.

Call provisions: Series 2007 bonds maturing on or after October 1, 2018 are subject to redemption prior to their maturity, at the option of the County, in whole or in part by lot on any date on or after October 1, 2017, with no premium.

.110 \$167,800,000 Tourist Development Tax Refunding Revenue Bonds, Series 2007A

Type: Business-type Activities Revenue Bonds

Dated: July 2007

Final maturity: Year 2021

Principal payment date: October 1

Interest payment dates: April 1 and October 1

Interest rates: 4.50 percent to 5.00 percent

Reserve requirement: The maximum annual debt service requirement all outstanding series of Tourist Development Tax Revenue Bonds taken as a whole, \$72,724,074.

Revenue pledged: All of the first five cents of the Tourist Development Tax levied by the County, Convention Center net operating revenues, and investment earnings. The total principal and interest remaining to be paid on this series is \$217,080,575. For the fiscal year, principal and interest paid on this series was \$10,983,550 and total pledged revenue was \$144,832,023.

Purpose: Refunding \$176,345,000 of the outstanding Tourist Development Tax Refunding Revenue Bonds, Series 1997.

Call provisions: Series 2007A bonds maturing on or after October 1, 2018 are subject to redemption prior to their maturity, at the option of the County, in whole or in part by lot on any date on or after October 1, 2017, with no premium.

.111 \$83,405,000 Tourist Development Tax Refunding Revenue Bonds, Series 2009

Type: Business-type Activities Revenue Bonds

Dated: September 2009

Final maturity: Year 2018

Principal payment date: October 1

Interest payment dates: April 1 and October 1

Interest rates: 4.00 percent to 5.00 percent

Reserve requirement: The maximum annual debt service requirement for all outstanding series of Tourist Development Tax Revenue Bonds taken as a whole, \$72,724,074.

Revenue pledged: All of the first five cents of the Tourist Development tax levied by the County, Convention Center net operating revenues, and investment earnings. The total principal and interest remaining to be paid on this series is \$99,908,375. For the fiscal year principal and interest paid on this series was \$4,107,750 and total pledged revenue was \$144,832,023.

Purpose: Current refunding of \$43,630,000 of outstanding Tourist Development Tax Refunding Revenue Bonds, Series 1998A and \$45,300,000 of outstanding Tourist Development Tax Revenue Bonds, Series 1998B.

Call provisions: Series 2009 bonds are not subject to optional or mandatory redemption prior to their stated dates of maturity.

.112 \$144,395,000 Tourist Development Tax Refunding Revenue Bonds, Series 2010

Type: Business-type Activities Revenue Bonds

Dated: September 2010

Final maturity: Year 2024

Principal payment date: October 1

Interest payment dates: April 1 and October 1

Interest rates: 5.00 percent

Reserve requirement: The maximum annual debt service requirement for all outstanding series of Tourist Development Tax Revenue Bonds taken as a whole, \$72,724,074.

Revenue pledged: All of the first five cents of the Tourist Development tax levied by the County, Convention Center net operating revenues, and investment earnings. The total principal and interest remaining to be paid on this series is \$231,750,375. For the fiscal year, principal and interest paid on this series was \$3,670,040 and total pledged revenue was \$144,832,023.

Purpose: Current refunding of \$115,590,000 of outstanding Tourist Development Tax Refunding Revenue Bonds, Series 1998A and \$46,775,000 of outstanding Tourist Development Tax Revenue Bonds, Series 1998B.

Call provisions: Series 2010 bonds are not subject to optional or mandatory redemption prior to their stated dates of maturity.

.113 \$50,675,000 Water Utilities System Refunding Revenue Bonds, Series 1998

Type: Business-type Activities Revenue Bonds

Dated: February 1998

Final maturity: Year 2014

Principal payment date: October 1

Interest payment dates: April 1 and October 1

Interest rates: 4.75 percent to 5.00 percent

Reserve requirement: The maximum annual debt service requirement for the outstanding Series 1998 bonds, \$3,981,500.

Revenue pledged: All of the Water Utilities System operating revenues and investment earnings. The total principal and interest remaining to be paid on this series is \$12,207,625. For the fiscal year, interest paid on this series was \$533,750 and total pledged revenue was \$50,982,197.

Purpose: To advance refund \$47,725,000 of outstanding Water Utilities System Revenue Bonds, Series 1992.

Call provisions: Series 1998 bonds maturing on or after October 1, 2009 are subject to redemption prior to their maturity, at the option of the County, in whole or in part by lot on any date on and after October 1, 2009 with no premium.

Bonded Indebtedness—Discretely-Presented Component Units**.114 Durham County Housing Finance Authority:**

Bonds and other obligations issued by the Authority are payable, both as to principal and interest, solely from the assets of the various housing programs which are pledged under the resolutions authorizing the particular issues. These issues do not constitute an obligation, either general or special, of the County, the State of Florida or of any local government therein. Neither the faith, credit and revenues nor the taxing power of the County, the State of Florida or any local government therein shall be pledged to the payment of the principal or interest on the obligations.

The following is a summary of bonded indebtedness of the Authority as of September 30, 2011:

	<i>Amount Outstanding</i>
Multifamily 1998 Series J and 2000 Series H, Variable Rate Demand Revenue Bonds	\$15,115,000
Multifamily Housing Revenue Bonds, 1995 Series A, 1997 Series A, D, 1998 Series A, C, D, 1999 Series A, G, L, 2000 Series F, 2001 Series A, C, F, G, 2002 Series A, C, E, G 2004 Series A, 2005 Series A, B, C, D, 2006 Series B, 2007 Series A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, P, 2008 Series A, 2009 Series A, A-1 and 2011 A-1, A-2	325,703,000
Multifamily Housing Revenue Refunding Bonds 1995 Series, 1997 Series C, E, F, and 2001 Series E	81,600,000
Taxable Multifamily Revenue Bonds, 2000 Series G, 2001 Series D, H, 2002 Series B, D, F and 2009 Series A, A-1	30,320,000
Single-Family Mortgage Revenue Bonds, 2002 Series B, 2003 Series A, B, 2004 Series A, 2006 Series A, 2007 Series A, B, 2009 Series A, B, 2010 Series A and 2011 Series A	<u>83,440,000</u>
Total bonded indebtedness	536,178,000
Add unamortized bond premium	3,454,881
Less unamortized bond issuance costs	<u>(7,639,347)</u>
Total bonded indebtedness net of unamortized discount/premium and issuance costs (includes current portion of \$910,000)	<u><u>\$531,993,534</u></u>

The following represents the debt service requirements to maturity for Authority bonded indebtedness as of September 30, 2011 (in thousands):

<i>Year Ending September 30</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2012	\$910	\$10,342	\$11,252
2013	900	10,315	11,215
2014	6,030	10,221	16,251
2015	1,945	10,101	12,046
2016	1,945	9,975	11,920
2017–2021	11,985	48,158	60,143
2022–2026	77,520	44,052	121,572
2027–2031	57,271	34,585	91,856
2032–2036	130,885	21,505	152,390
2037–2041	87,312	12,617	99,929
2042–2046	119,545	1,092	120,637
2047–2051	39,930	—	39,930
Totals	<u>\$536,178</u>	<u>\$212,963</u>	<u>\$749,141</u>

The following is summarized bond information relative to the bonded indebtedness of the Authority. Detailed disclosures are reported in the separate financial statements of the Authority.

Multifamily programs. The Authority uses bond proceeds to finance the construction or acquisition of multifamily housing developments which are intended for occupancy in part by persons of low, moderate, and middle income. Bonds are issued in the form of serial, term and capital appreciation bonds with fixed or variable interest rates. Bonds with fixed interest rates range from 1.00 percent to 9.00 percent. The interest rate on the variable rate bonds is computed weekly by a remarketing agent at a rate that will price the bonds at a market value of approximately 100 percent of the principal balance outstanding, plus accrued interest. Final maturity dates for fixed and variable rate bonds range from 2013 to 2051. Assets of the programs are pledged for payment of principal and interest on the applicable bonds. Each issue is collateralized by a separate collateral package. In addition, certain assets are further restricted for payment of principal and interest in the event that the related debt service and other available funds are insufficient.

Provisions of the bond resolutions provide for various methods of redemption. Bonds are to be redeemed at par primarily from prepayments of mortgage loans securing the issues, from unexpended bond proceeds, and excess program revenues. Bonds are generally redeemable at the option of the Authority at premiums ranging up to 6.00 percent. Certain term bonds require mandatory sinking fund payments for their redemption.

Single-family programs. The Authority uses bond proceeds primarily to purchase mortgage loans from certain qualified lending institutions and to purchase GNMA certificates to the extent mortgage loans are originated by participating lenders on single family residences for persons of low to moderate income. Bonds are issued in the form of serial, term, draw-down, or capital appreciation bonds with fixed or variable interest rates. Bonds with fixed interest rates range from 0.50 percent to 6.00 percent. Final maturity dates for fixed and variable rate bonds range from 2011 to 2041. Assets of the programs are pledged for payment of principal and interest on the applicable bonds. Each issue is collateralized by a separate collateral package. In addition, certain assets are further restricted for payment of principal and interest in the event that the related debt service and other available funds are insufficient.

Provisions of the bond resolutions provide for various methods of redemption. Bonds are to be redeemed at par primarily from prepayments of mortgage loans securing the issues, from unexpended bond proceeds, and excess program revenues. Bonds are generally redeemable at the option of the Authority at premiums ranging up to 6.00 percent. Certain term bonds require mandatory sinking fund payments for their redemption.

Durham County Industrial Development Authority, Durham County Health Facilities Authority, and Durham County Educational Facilities Authority:

These Authorities serve to assist in the financing and refinancing of certain types of capital projects for third parties. Revenue bonds issued are payable solely from moneys and other assets pledged under the indentures of trust with the bond trustees and do not constitute debt of the Authorities. The Authorities serve only as "conduit" agents for their respective bond issues. The County also has no financial obligation for bonds issued by the Authorities. Therefore, the bonds outstanding are not reported in the accompanying financial statements because neither the Authorities nor the County has any commitment for their repayment.

The Industrial Development Authority assists with capital projects which will foster economic development. From inception through the end of the 2011 fiscal year, approximately \$689.3 million in revenue bonds have been issued by the Authority. During the year ended September 30, 2011, the Authority issued \$63,960,000 in industrial development revenue bonds. The aggregate principal amount outstanding for the bonds issued after October 1, 1996, is approximately \$226,577,000 at September 30, 2011.

The Health Facilities Authority assists with capital projects which serve to improve health-related facilities. At September 30, 2011, the total outstanding principal of revenue bonds issued by the Authority was approximately \$1.4 billion.

The Educational Facilities Authority assists with capital projects which serve to improve higher educational facilities. At September 30, 2011, the total outstanding principal of revenue bonds issued by the Authority was approximately \$42 million.

M. NOTES AND LOANS PAYABLE

Commercial Paper Notes

.115 The County has established a commercial paper program whereby Commercial Paper Notes issued are secured by a pledge of the County's non-ad valorem tax revenues. Proceeds from note issuances may be used on various capital projects according to the specific authorizing resolutions.

Total active notes authorized as of September 30, 2011 was \$332,000,000. Of that, notes in the total amount of \$125,536,000 had been issued. A total of \$125,536,000 had been redeemed, leaving no outstanding principal balance at September 30, 2011. There were no transactions during fiscal year 2011. The status of the authorized notes is as follows:

.116 \$32,000,000 Commercial Paper Notes Authorized February 1996

Issuances—prior fiscal years: \$29,000,000

Redemptions—prior fiscal years: \$29,000,000

Redemption source: sales tax revenues, internal service user charges, and Sales Tax Revenue Bonds, Series 1998

Purpose: Courthouse construction project; various other capital projects of the County

Outstanding at September 30, 2011: none

.117 \$30,000,000 Commercial Paper Notes Authorized June 1998

Issuances—none

Redemption source: operating revenues of the Water Utilities System

Purpose: Water Utilities System capital improvements

Outstanding at September 30, 2011: none

.118 \$30,000,000 Commercial Paper Notes Authorized December 1999

Issuances—prior fiscal years: \$28,936,000

Redemptions—prior fiscal years: \$28,936,000

Redemption source: Sales Tax Revenue Bonds, Series 2002B

Purpose: Land acquisition for jail expansion; administrative and Sheriff's Office buildings acquisition

Outstanding at September 30, 2011: none

.119 \$90,000,000 Commercial Paper Notes Authorized September 2001

Issuances—prior fiscal years: \$47,600,000

Redemptions—prior fiscal years: \$47,600,000

Redemption source: Sales Tax Revenue Bonds, Series 2002B, and sales tax revenues

Purpose: Jail facilities expansion

Outstanding at September 30, 2011: none

.120 \$150,000,000 Commercial Paper Notes Authorized September 2006

Issuances—prior fiscal years: \$20,000,000

Redemptions—prior fiscal years: \$20,000,000

Redemption source: Sales Tax revenue bonds, Public Service Tax revenue bonds, or bonds payable from other non-ad valorem revenues of the Board

Purpose: The various projects identified as the “Invest in Durham County, Our Children’s Legacy Initiative,” including roadways, streetscaping, trails, pedestrian sidewalks and bridges, gymnasiums, regional commuter rail system, environmental lands, intersection improvements, and bus shelters

Outstanding at September 30, 2011: none

The County’s commercial paper debt program is administered as follows: The notes mature within 270 days of issuance, with interest payable at maturity based on market rates not to exceed 10 percent. The notes are not subject to redemption prior to maturity. As each block of notes matures, new notes are issued to refinance the principal amount, and current eligible revenues of the County are used to pay the interest amount due. The County deactivated use of this program during fiscal year 2009 upon the expiration of its broker/dealer and backup line of credit agreements and the termination of its issuance and paying agent agreement.

Durham County Promissory Note, Series 2010

.121 On December 15, 2010, the County entered into a loan agreement with Branch Banking and Trust Company for issuance of the Durham County Promissory Note, Series 2010 (Note), for the purpose of funding upgrades and improvements to the County’s public safety radio system. The total amount of the Note, which matures on October 1, 2022 was \$15,395,000 and the primary pledged revenue is the locally adopted traffic surcharge revenue authorized by Florida Statutes. Interest payments at the rate of 2.57 percent are due semi-annually on April 1 and October 1 of each year beginning April 1, 2011. Annual principal payments begin on October 1, 2011. Proceeds and use of proceeds related to the Note are accounted for in the County’s 2010 Promissory Note Fund. The total principal and interest remaining to be paid on the Note is \$17,875,885. For the fiscal year, interest paid was \$116,497 and total pledged revenue was \$1,233,432. Future principal and interest payments (in thousands) required on the Note are as follows as of September 30, 2011:

<i>Year Ending September 30</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2011*	\$1,185	\$198	\$1,383
2012	1,135	365	1,500
2013	1,165	336	1,501
2014	1,195	306	1,501
2015	1,225	275	1,500
2016–2020	6,605	889	7,494
2021–2022	2,885	112	2,997
Totals	<u>\$15,395</u>	<u>\$2,481</u>	<u>\$17,876</u>

* Requirement shown for year ending September 30, 2011 relates to payment due on October 1, 2011.

State Revolving Fund Loan—Water Utilities System

.122 In June 2002, the County entered into a Clean Water State Revolving Fund Construction Loan Agreement with the State of Florida Department of Environmental Protection. Funds are being utilized by the Water Utilities System to finance Phases 2 and 3 of the construction of a central wastewater collection system in an area of the county formerly served by septic tanks. The initial loan approved in 2002 was for a total available amount of \$8,457,900. This was reduced in fiscal year 2008 to the actual amount drawn of \$6,241,215 to reflect the final cost of Phase 2 of the construction project. In August of 2006, a second loan was approved for Phase 3 of the project, in the additional amount of \$8,339,312. This was reduced in fiscal year 2011 to the actual amount drawn of \$6,540,920 to reflect the final cost of Phase 3 of the construction project. In February 2011, a new loan was approved for the Lake Lawne Gravity Sewer Rehabilitation Project in the amount of \$1,722,240.

For the 2002 loan, the principal balance outstanding was \$4,501,757 as of September 30, 2011. Semiannual payments of \$193,774, including interest at 3.09 percent, are due on March 15 and September 15 of each year, through March 15, 2026.

For the 2006 loan, the principal balance outstanding was \$5,832,255 as of September 30, 2011. Semiannual payments of \$274,628, including interest at 2.63 percent, are due on January 15 and July 15 of each year, through January 15, 2011. Semiannual payments for the period July 15, 2011 through July 15, 2029 have been reduced to \$204,412, including interest, to reflect the reduction in the loan amount.

For the 2011 loan, no loan draw activity had been initiated as of September 30, 2011, and thus the principal balance was zero. For this loan, semiannual payments of \$56,219, including interest at 2.53 percent, will be due on February 15 and August 15 of each year, for a 20-year period beginning August 2012. Future principal and interest payments related to this loan are not included in the schedule that follows.

The total principal and interest remaining to be paid on these loans was \$12,978,270 as of September 30, 2011. For the fiscal year, principal and interest paid was \$866,587. Total available pledged revenue, which consists of all of the Water Utilities System operating revenues and investment earnings less bond debt service requirements, was \$50,448,447 for the fiscal year ended September 30, 2011. Future principal and interest payments (in thousands) required on the State Revolving Loans are as follows as of September 30, 2011:

<i>Year Ending September 30</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2012	\$507	\$289	\$796
2013	522	274	796
2014	537	259	796
2015	553	244	797
2016	568	228	796
2017–2021	3,098	884	3,982
2022–2026	3,377	411	3,788
2027–2029	1,172	55	1,227
Totals	<u>\$10,334</u>	<u>\$2,644</u>	<u>\$12,978</u>

N. LEASE COMMITMENTS

Capital Leases

.123 The County has entered into various leasing agreements for vehicles, machinery and equipment. The terms of these leases are such that the County capitalized the leases as required by the lease topic of *FASB Accounting Standards Codification*.

The following is a schedule of future minimum lease payments applicable to governmental activities for \$554,106 of assets (all equipment assets) capitalized under lease agreements, and the net present value of future minimum lease payments as of September 30, 2011:

<i>Year Ending September 30</i>	<i>Amount</i>
2012	\$131,531
2013	63,695
2014	18,092
2015	6,015
Total minimum lease payments	219,333
Less amount representing interest	(14,873)
Present value of future minimum lease payments	<u>\$204,460</u>

There are no capital lease obligations outstanding at September 30, 2011 for business-type activities.

Operating Leases

.124 The primary government leases office facilities, branch library facilities, and equipment under various operating lease agreements which have noncancelable lease terms in excess of one year. The following is a schedule by years of future minimum rentals on such leases as of September 30, 2011:

<i>Year Ending September 30</i>	<i>Amount</i>
2012	\$10,058,715
2013	9,459,905
2014	8,361,202
2015	5,012,595
2016	2,835,391
2017–2021	1,579,687
Total future minimum rentals	<u>\$37,307,495</u>

Rental expenditures on operating leases amounted to approximately \$11.8 million for the year ended September 30, 2011. The primary government also leases other office facilities and equipment on a monthly basis.

O. INTERFUND RECEIVABLE AND PAYABLE BALANCES

.125 Interfund receivable and payable balances as of September 30, 2011, are detailed in the following table:

Due to/from other funds:

<i>Receivable fund</i>	<i>Payable fund</i>	<i>Amount</i>
General fund	Nonmajor governmental funds	\$5,611,835
Fire Protection MSTU	General fund	1,156,332
Fire Protection MSTU	Nonmajor governmental funds	11,046
Nonmajor governmental funds	General fund	1,131,392
Nonmajor governmental funds	Nonmajor governmental funds	950,916
Enterprise Fund	Nonmajor governmental funds	70,000
Internal Service Funds	General fund	306,224
Total due to/from other funds		<u>\$9,237,745</u>

Advances to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$3,200,000</u>

The primary purpose of these interfund receivables and payables is to provide temporary loans for cash flow needs, primarily associated with reimbursable grant programs.

P. TRANSFERS TO/FROM OTHER FUNDS

.126 Significant transfers between funds of the County included excess amounts from debt service funds. Pledged revenues are placed in debt service funds when initially received. After debt service requirements are fulfilled, the excess amounts are then transferred to other funds for operating expenditure purposes. Additionally, the Special Tax Equalization District special revenue fund collects the revenues necessary for certain programs or functions, and then transfers them out for expenditure purposes. The Convention Center fund records the transfer of available Tourist Development tax monies to the General Fund for cultural tourism functions. The Water Utilities System enterprise fund transfers certain available funds annually to the General Fund pursuant to Board resolution.

Interfund transfers for the 2011 fiscal year were as follows:

	<u>Transfers to</u>			<u>Totals</u>
	<u>General Fund</u>	<u>Fire Protection MSTU</u>	<u>Nonmajor Governmental Funds</u>	
Transfers from:				
General Fund	\$ —	\$1,155,405	\$16,746,548	\$17,901,953
Sales Tax Trust	49,595,731	—	28,158,948	77,754,679
Nonmajor governmental funds	151,497,677	—	58,214,787	209,712,464
Convention Center	2,236,568	—	—	2,236,568
Water Utilities System	6,300,000	—	—	6,300,000
Totals	<u>\$209,629,976</u>	<u>\$1,155,405</u>	<u>\$103,120,283</u>	<u>\$313,905,664</u>

Q. COMMUNITY REDEVELOPMENT AGENCIES

.127 As explained in Note A, the International Drive Community Redevelopment Agency and the Durham Blossom Trail Community Redevelopment Agency (CRA) are blended component units of the County and each is presented as a special revenue fund. As required by State statute, additional description of CRA financial information during fiscal year 2011 is as follows:

	<u>International Drive CRA</u>	<u>Durham Blossom Trail CRA</u>
<u>Source of Deposits</u>		
County tax increment	\$7,542,865	\$165,157
City of Orlando tax increment	476,050	119,722
Interest income	323,777	4,804
Total sources	<u>\$8,342,692</u>	<u>\$289,683</u>
<u>Purpose of Withdrawals</u>		
CRA administration	\$227	\$268,948
Residential and commercial development	—	30,974

(continued)

	<i>International Drive CRA</i>	<i>Durham Blossom Trail CRA</i>
Roadway improvements	6,449,959	59,202
Neighborhood enhancements	—	8,563
Total withdrawals	<u>\$6,450,186</u>	<u>\$367,687</u>

CRA Indebtedness

Neither CRA has pledged incremental revenues or incurred any debt to carry out their activities.

R. COMMITMENTS AND CONTINGENCIES**Encumbrances**

.128 As of September 30, 2011, the County had significant encumbrance commitments in the Governmental Funds as follows:

Encumbrances: (in thousands)	
<u>Major Funds</u>	
General Fund	\$8,114
Fire Protection MSTU	2,313
Total Major Funds	<u>10,427</u>
<u>Nonmajor Funds</u>	
Court Facilities Fee	91
Court Technology	56
Building Safety	264
Crime Prevention	27
Law Enforcement Education	109
Radio Communication Program	27
911 Fee	87
Inmate Commissary	47
Air Pollution Control	19
Water and Navigation Control	
Districts	251
Aquatic Weed Taxing Districts	98
Conservation Trust	450
Municipal Service Districts	95
Local Option Gas Tax	4,898
Constitutional Gas Tax	2,367
Transportation Trust	6,850
International Drive Community	
Redevelopment Agency	
Local Housing Assistance (SHIP)	1,050
Drug Abuse Trust	40
Parks	307
Grants	6,967
Transportation Impact Fees	6,830
Miscellaneous Construction Projects	12,561
Total Nonmajor Funds	<u>44,906</u>
Total Encumbrances	<u>\$55,333</u>

Commitments Under Construction Contracts

.129 At September 30, 2011, the County had outstanding construction and operating contracts for various projects totaling approximately \$414 million.

Grants

.130 Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. If any expenditures are disallowed as a result of these audits, the claims for reimbursement to the grantor agency would reduce receivables or become a liability of the County, or both. In the opinion of management, any such adjustments would not be material to the County's operating results or fund balances.

Litigation

.131 The County is a party in various lawsuits and other claims incidental to the ordinary course of its operation, some of which are covered by the County's risk management program (see Note G). Although the results of litigation and claims cannot be predicted with certainty, management believes the final outcome will not have a material adverse impact on the County's financial position.

Secondary Pledge of Constitutional Gas Tax

.132 The County's share of the 80 percent portion of the two-cent Constitutional Gas Tax has been pledged to repayment of the bonded debt of the Durham-Durham County Expressway Authority (Authority). Florida law provides that any funds borrowed by the Authority from the County will be repaid with interest at such time as the Authority deems practical. There were no borrowed funds outstanding at September 30, 2011.

Advances to Other Governmental Agencies

.133 Under the provisions of a tri party agreement with the City of Durham and the Civic Facilities Authority (CFA), the County has advanced sums totaling \$7,529,000 to the CFA, with the final advance made in fiscal year 2009, to enable the CFA to meet debt service and operating requirements. The advances do not bear interest. There is no repayment schedule or due date and repayment is subordinate to certain other debt obligations of the CFA. Neither the receivable nor the equivalent uncollectible allowance are shown in the financial statements.

Community Redevelopment Agencies

.134 Pursuant to State statute, various local jurisdictions have created 13 Community Redevelopment Agencies (CRAs) within the County, including two formed by the County and reported as blended component units. Funding for these agencies is derived from incremental ad valorem tax proceeds generated by improvements made within the CRA. The County is obligated to pay to each CRA from its current year's ad valorem tax proceeds the increment related to taxable property improvements made since the designated "base year." Other jurisdictions which have created CRAs are the Cities of Durham, Winter Park, Ocoee, Maitland, Eatonville, Apopka, and Winter Garden. The total amount paid to CRAs by the County amounted to \$21,667,272 for the 2011 fiscal year.

Durham Blossom Trail Improvements

.135 In 1987, the County created two municipal service taxing units (MSTUs) for properties situated on and in the immediate environs of South Durham Blossom Trail (US 441), from Interstate 4 to the Beach Line Expressway. These MSTUs are reported as a part of the Municipal Service Districts special revenue fund.

The purpose of the MSTUs was to fund capital costs and ongoing maintenance for enhanced improvements to a US 441 road widening project by the State of Florida, and thereby stimulate economic revitalization. The enhanced improvements consisted of streetscape/landscape features and undergrounding of utilities for the segment of US 441 noted previously. When the State initiated the widening project in 1993, the MSTUs had not raised sufficient funds to pay for all of the planned enhancements. At that time, the County elected to use Local Option Gas Taxes and Public Service Taxes in the combined amount of \$8.8 million to cover the difference, with an understanding that the MSTUs would be able to reimburse this amount in subsequent fiscal years.

Due to the ongoing maintenance costs of the completed project, less than expected growth in MSTU revenues and property tax reform, actual project reimbursements from the MSTUs have totaled only \$630 thousand. Reimbursements from unspent project funds totaled an additional \$759 thousand, leaving an unreimbursed total of approximately \$7.4 million as of the end of fiscal year 2011. Reimbursements from the MSTUs in subsequent fiscal years will be made as funds are available; however, management's current expectation is that most of the amount outstanding will remain unreimbursed at the time the MSTUs are scheduled to sunset in fiscal year 2018. There is no repayment schedule, and the unreimbursed amounts are not shown in the financial statements.

Transportation Impact Fee Credits

.136 The County has entered into a number of agreements with developers under which the developer donates transportation infrastructure improvements or rights of way to the County and receives credit for future transportation impact fee payments. As of September 30, 2011, credit balances for future impact fees total approximately \$44.3 million.

Hilton Loan Commitment

.137 Under a 2001 agreement, the County committed to provide a no-interest loan of \$2.2 million to Hilton-OCCC Hotel, LLC (Hilton) toward Hilton's costs of construction of an above-ground pedestrian walkway which would connect the County's Convention Center (Center) and a hotel constructed adjacent to the Center. The loan was disbursed to Hilton using funds from the Center's enterprise fund, in two increments: one-half when construction commenced in fiscal year 2007, and the remainder at completion of the walkway in fiscal year 2009. Repayment of the loan to the County began when the hotel opened for business in fiscal year 2009. Payments are due quarterly through fiscal year 2015, and are comprised of no less than 0.5 percent of the hotel's gross room rental revenue for the prior quarter. The outstanding balance on the loan at September 30, 2011, was \$1,674,667.

S. BUDGETARY LEGAL COMPLIANCE AND FUND DEFICITS

.138 For the fiscal year ended September 30, 2011, no excess of expenditures over appropriations at the legal level of budgetary control occurred.

The Sheriff's Workers' Compensation Fund had a deficit fund balance of \$6,923,914 at September 30, 2011. The Sheriff intends to eliminate the deficit balance in the Sheriff Workers' Compensation internal service fund through effective claims management, charges to the General Fund and, to the extent necessary, funding from future excess fees.

T. PROVISION FOR CLOSURE COSTS

.139 As explained in Note A, current regulations of the U.S. Environmental Protection Agency (EPA) and the Florida Department of Environmental Protection (FDEP) require municipal solid waste landfills to place a final cover on closed landfill areas, and to maintain those areas for up to 30 years after closure. The County periodically obtains updated and revised estimates of total future closure and postclosure costs from its consulting engineers. All amounts recognized are based on what it would cost to perform closure and

postclosure functions in current dollars. Actual costs may be different due to inflation, changes in technology, or changes in laws and regulations.

The internal landfills have ceased operation. Required closure work is complete and the entire estimated future cost for postclosure maintenance is reported as a long-term liability of the Governmental Activities on the government-wide statement of net assets. These costs are recognized as governmental fund expenditures as they become obligations to be liquidated with available financial resources, using resources in the Transportation Trust and the Miscellaneous Construction Projects funds.

For the public landfill, accounted for in the Solid Waste System (System) enterprise fund, expenses associated with final closure and postclosure maintenance of landfill areas are recognized over the active life of those areas. These costs are recognized in each operating period based on the amount of waste received during that period, regardless of when cash disbursements are made for these costs. The cumulative effect of updated and revised estimates of closure-related costs is recognized in the period of the change to the extent it relates to current and past operations.

The total unrecognized closure and postclosure costs attributable to the currently active areas of the public landfill are approximately \$166 million. These costs will be recognized in future periods as the remaining capacity of approximately 49 million tons is filled. As of September 30, 2011, the active landfill areas were filled to approximately 3 percent and 19 percent of capacity for subbasins 2A-cell 2, and 9-12, respectively. The current landfill facilities are expected to provide the needed capacity through 2115.

The County is required by FDEP annually to show proof of ability to finance closure and postclosure costs, and has done so for the internal landfills by providing a standby letter of credit and trust account. For the public landfill, the System has fulfilled the requirements of the financial test provision of the regulation. In addition, the County is making deposits to a closure costs account in the System enterprise fund to provide for the financing of future closure activities of the public landfill. The balance in this account as of September 30, 2011 was approximately \$35.8 million. The liability for closure and postclosure activities, calculated in accordance with GASB Statement No. 18 and reported on the System's balance sheet, was approximately \$35.1 million as of September 30, 2011.

U. PRIOR PERIOD ADJUSTMENTS

.140 The October 1, 2010 net assets of the Water Utilities System have been adjusted upward by \$36,881,640. During fiscal year 2011, it was determined that certain donated assets were not recognized as contributed revenue and capital assets in the years of donation for the periods beginning fiscal year 1995 through fiscal year 2010. Additionally, one System construction project was not closed out when completed in fiscal year 2010, thus delaying the start of depreciation expense on that project. Accordingly, the October 1, 2010 net assets increase is the result of additional capital contributions, net of accumulated depreciation. The effect of the adjustment on fiscal year 2011 was to decrease the change in net assets by \$2,969,960 for depreciation expense associated with prior capital asset additions.

.141 The October 1, 2010 net assets of the Durham County Housing Finance Authority have been adjusted downward by \$48,558 to reflect the accrual of trustee fees.

V. SUBSEQUENT EVENTS

Durham County Housing Finance Authority

.142 On November 15, 2011, the Durham County Housing Finance Authority issued \$8,000,000 of Multifamily Mortgage Revenue Bonds, NIBP Series 2009A-3.

On December 16, 2011, the Durham County Housing Finance Authority issued Multifamily Mortgage Revenue Bonds, NIBP Series 2009A-4, 2011-B, 2009A-5 and 2011-C in the amounts of \$10,500,000; \$1,500,000; \$7,000,000 and \$3,500,000, respectively.

Durham County Industrial Development Authority

.143 On December 13, 2011, the Durham County Industrial Development Authority issued \$3,400,000 of Industrial Development Revenue Bonds, Series 2011.

Durham County Health Facilities Authority

.144 On January 10 2012, the Durham County Health Facilities Authority donated \$760,526 to the County for disbursement to a nonprofit human health service agency. The monies were considered to be surplus funds resulting from a judgment award in the amount of \$1,178,167 received by the Authority during fiscal year 2011.

Durham County Water Utilities System

.145 On January 20, 2012, the County executed four additional Clean Water State Revolving Fund Loan Agreements with the State of Florida Department of Environmental Protection. The total estimated principal amount of these loans is \$15,753,661 at an interest rate of 2.38 percent. Each loan is to be repaid over a 20-year period.

Durham County Educational Facilities Authority

.146 In February 2012, the outstanding Durham County Educational Facilities Authority Rollins College Series 2002 bond issue was refunded in the amount of \$17,485,000. The refunding bonds that redeemed this bond issue were not issued through the Authority.

Required Supplementary Information

.147

DURHAM COUNTY, FLORIDA REQUIRED SUPPLEMENTARY INFORMATION for the year ended September 30, 2011

Durham County Library District Defined Benefit Pension Plan

Schedule of Funding Progress

	Actuarial Valuation Dates					
	01/01/11	01/01/10	01/01/09	01/01/08	01/01/07	01/01/06
Actuarial Value of Assets [a]	\$33,695,627	\$29,887,954	\$23,147,672	\$31,448,331	\$28,683,187	\$26,021,380
Actuarial Accrued Liability (AAL) - Frozen Entry Age [b]	\$34,284,782	\$33,275,233	\$ 31,872,193	\$29,877,851	\$28,326,919	\$22,689,949
Overfunded / (unfunded) AAL (UAAL) [a-b]	\$ (589,155)	\$ (3,387,279)	\$ (8,724,521)	\$ 1,570,480	\$ 356,268	\$ 3,331,431
Funded Ratio [a/b]	98.28%	89.82%	72.63%	105.26%	101.26%	114.68%
Covered Payroll [c]	\$ 6,104,311	\$ 6,445,574	\$ 7,612,281	\$ 7,595,557	\$ 9,331,114	\$ 8,736,262
AAL (UAAL) as a Percentage of Covered Payroll [(a-b)/c]	(9.65)%	(52.55)%	(114.61)%	20.68%	3.82%	38.13%

Schedule of Employer Contributions

<i>Year Ended September 30</i>	<i>Employer Contributions</i>	
	<i>Annual Required Contribution (ARC)</i>	<i>Percentage of ARC Contributed*</i>
2006	\$514,803	117%
2007	\$1,217,763	87%
2008	\$931,296	108%
2009	\$1,844,299	65%
2010	\$1,226,649	117%
2011	\$891,426	119%

*Plan is on a calendar year. The District made its required contributions based on the calendar year.

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**Durham County
Other Postemployment Benefit Plan**

Schedule of Funding Progress

	<i>Actuarial Valuation Dates</i>		
	<u>09/30/11</u>	<u>09/30/10</u>	<u>09/30/09</u>
Actuarial Value of Assets [a]	\$25,784,694	\$28,032,880	\$21,252,791
Actuarial Accrued Liability (AAL) - Frozen Entry Age [b]	\$77,011,918	\$81,898,983	\$98,457,536
Unfunded AAL (UAAL) [b-a]	\$51,227,224	\$53,866,103	\$77,204,745
Funded Ratio [a/b]	33.48%	34.23%	21.59%
Covered Payroll [c]	\$471,825,868	\$473,154,356	\$486,465,249
UAAL as a Percentage of Covered Payroll [(b-a)/c]	10.86%	11.38%	15.87%

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Schedule of Employer Contributions

<i>Year Ended September 30</i>	<i>Employer Contributions</i>	
	<i>Annual Required Contribution (ARC)</i>	<i>Percentage of ARC Contributed</i>
2011	\$6,446,491	60%
2010	\$8,695,906	122%
2009	\$8,346,141	150%

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**Clerk of the Circuit and County Courts
Other Postemployment Benefit Plan**

Schedule of Funding Progress

	<i>Actuarial Valuation Dates</i>		
	<i>09/30/11</i>	<i>09/30/10</i>	<i>09/30/08</i>
Actuarial Value of Assets [a]	\$263,139	\$269,522	\$ —
Actuarial Accrued Liability (AAL) - Frozen Entry Age [b]	\$6,257,734	\$8,028,931	\$7,236,488
Unfunded AAL (UAAL) [b-a]	\$5,994,595	\$7,759,409	\$7,236,488
Funded Ratio [a/b]	4.2%	3.4%	—
Covered Payroll [c]	\$19,993,723	\$20,680,120	\$23,483,981
UAAL as a Percentage of Covered Payroll [(b-a)/c]	30.0%	37.5%	30.81%

No actuarial valuation was performed on 09/30/09.

Schedule of Employer Contributions

<i>Year Ended September 30</i>	<i>Employer Contributions</i>	
	<i>Annual Required Contribution (ARC)</i>	<i>Percentage of ARC Contributed</i>
2011	\$496,444	71%
2010	648,104	57%
2008	654,066	63%

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**Durham County Library District
Other Postemployment Benefit Plan**

Schedule of Funding Progress

	<i>Actuarial Valuation Dates</i>		
	<i>01/01/11</i>	<i>01/01/10</i>	<i>01/01/09</i>
Actuarial Value of Assets [a]	\$5,310,458	\$3,752,368	\$2,279,171
Actuarial Accrued Liability (AAL) - Frozen Entry Age [b]	\$13,104,739	\$12,718,657	\$10,828,223
Unfunded AAL (UAAL) [b-a]	\$7,794,281	\$8,966,289	\$8,549,052
Funded Ratio [a/b]	40.52%	29.50%	21.05%
Covered Payroll [c]	\$9,257,137	\$10,073,519	\$11,267,371
UAAL as a Percentage of Covered Payroll [(b-a)/c]	84.20%	89.01%	75.87%

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Schedule of Employer Contributions

<i>Year Ended September 30</i>	<i>Employer Contributions</i>	
	<i>Annual Required Contribution (ARC)</i>	<i>Percentage of ARC Contributed</i>
2009	\$1,124,658	100%
2010	\$1,392,656	100%
2011	1,469,302	100%

*Plan is on a calendar year. The District made its required contributions based on the calendar year

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