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## Checklists and illustrative financial statements for state and local governments, April 30, 2013

American Institute of Certified Public Accountants (AICPA)

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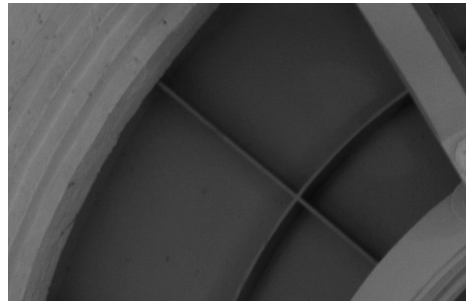
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# State and Local Governments



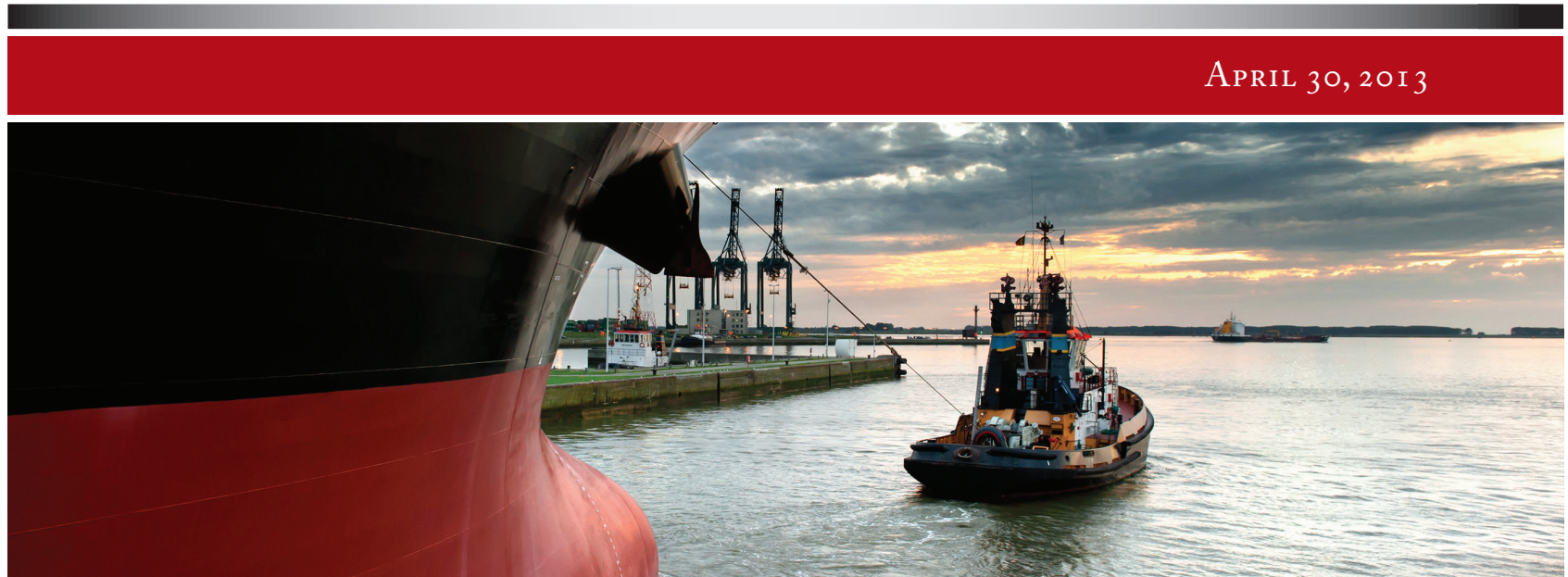
CHECKLISTS & ILLUSTRATIVE FINANCIAL STATEMENTS

# State and Local Governments

State and Local Governments

April 30, 2013

APRIL 30, 2013



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CHECKLISTS & ILLUSTRATIVE FINANCIAL STATEMENTS

# State and Local Governments

APRIL 30, 2013

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# Notice to Readers

## Acknowledgments

The AICPA gratefully appreciates the assistance John Montoro provided in updating and maintaining the guidance in portions of these checklists.

The AICPA also gratefully acknowledges those who reviewed and otherwise contributed to the development of these checklists:

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Carla Gogin  
John Good  
Lealan Miller  
Anita Supinski

## Introduction

.01 This publication includes the following information:

- **Part 1, “Financial Statements and Notes Checklist.”** This checklist can be used by preparers of governmental financial statements prepared in conformity with generally accepted accounting principles 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).
- **Part 2, “Auditors’ Reports Checklist for Audits Performed in Accordance With Generally Accepted Auditing Standards.”** This checklist can be used by auditors in reporting on audits of financial statements in accordance with generally accepted auditing standards (GAAS).
- **Part 3, “Auditors’ Reports Checklist for Audits Performed in Accordance With Government Auditing Standards and OMB Circular A-133.”** 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*.
- **Part 4, “Illustrative Financial Statements.”** These illustrative financial statements demonstrate financial statement formats and disclosures appropriate for state and local governments.

.02 These checklists consider relevant pronouncements issued through April 30, 2013, as noted in the following listing. However, guidance in Governmental Accounting Standards Board (GASB) Statement Nos. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, and 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, will be implemented in the 2014 edition of the checklists. 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. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*
- 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 2012–13* as of June 30, 2012
- AICPA Statement of Position 12-1, *Reporting Pursuant to the Global Investment Performance Standards* (AICPA, *Technical Practice Aids*, AUD sec. 14,450)
- *Government Auditing Standards, 2011 Revision*<sup>1</sup>
- OMB Circular A-133, as revised on June 26, 2007
- Statement on Auditing Standards No. 127, *Omnibus Statement on Auditing Standards—2013* (AICPA, *Professional Standards*)
- AICPA Audit and Accounting Guide *State and Local Governments* (as of March 1, 2013)
- AICPA Audit Guide *Government Auditing Standards and Circular A-133 Audits* (as of February 1, 2013)

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-C section 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance With Generally Accepted Auditing Standards* (AICPA, *Professional Standards*). Other auditing publications have no authoritative status; however, they may help the auditor understand and apply GAAS:

- 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),<sup>2</sup> specialized disclosure requirements for governmental health care or-

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<sup>1</sup> The U.S. Government Accountability Office issued *Government Auditing Standards, 2011 Revision* (2011 Revision) in December 2011. The most significant change in the 2011 revision relates to auditor independence. The 2011 revision supersedes the *2011 Internet Version of Government Auditing Standards* (interim revision) that was issued in August 2011 and also replaces *Government Auditing Standards, July 2007 Revision*. The effective date of the 2011 revision for financial audits and attestation engagements is for periods ending on or after December 15, 2012. Early implementation is not permitted. The AICPA Audit Guide *Government Auditing Standards and Circular A-133 Audits* further discusses *Government Auditing Standards* requirements and guidance relating to financial audits. The 2013 edition of that guide has been conformed to reflect the requirements and guidance in the 2011 Revision.

<sup>2</sup> 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.



ganizations 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 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. APAOCBO12P).<sup>3</sup>

.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 position, the governmental funds balance sheet, the proprietary funds statement of fund net position, and the fiduciary funds statement of fiduciary 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 position; and the fiduciary funds statement of changes in fiduciary 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, 2013)

AAG-SLV = AICPA Audit and Accounting Guide *State and Local Governments* (as of March 1, 2013)

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

GAS = *Government Auditing Standards, 2011 Revision*

GASB = GASB Statement

GASB Cod. sec. = *Codification of Governmental Accounting and Financial Reporting Standards* by GASB (pronouncements issued and effective through June 30, 2012)

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 2012–13*, as of June 30, 2012

.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.

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<sup>3</sup> Preparers and auditors may consider reviewing the AICPA's Practice Aid *Applying OCBOA in State and Local Governmental Financial Statements*, which is available for purchase at [www.cpa2biz.com](http://www.cpa2biz.com). Although nonauthoritative, this publication has been reviewed by subject matter experts and represents best practice guidance.

.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 unmodified opinion as discussed in AU-C section 705, *Modifications to the Opinion in the Independent Auditor’s Report* (AICPA, *Professional Standards*). 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 unit<sup>4</sup> or an other-matter 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.

.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.

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<sup>4</sup> 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*.

# Part 1

## *Financial Statements and Notes Checklist*

.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>
		<hr/>
I.	General Reporting	
	A. Overview	<hr/>
	B. Comparative Financial Information	<hr/>
	C. Accounting Changes and Error Corrections	<hr/>
	D. Prior-Period Adjustments	<hr/>
II.	Government-Wide Financial Statements	
	A. Overview	<hr/>
	B. Statement of Net Position	<hr/>
	C. Statement of Activities	<hr/>
III.	Fund Financial Statements	
	A. Overview	<hr/>
	B. Governmental Funds	<hr/>
	C. Proprietary Funds	<hr/>
	D. Fiduciary Funds	<hr/>
	E. Interfund Activity and Balances	<hr/>
IV.	Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position	
	A. Financial Instruments	<hr/>
	B. Nonexchange Transactions	<hr/>
	C. Inventories	<hr/>
	D. Capital Assets, Including Intangible Assets	<hr/>
	E. Clearing Account Assets	<hr/>
	F. Liabilities, Including Debt	<hr/>
	G. Net Position	<hr/>
V.	Revenues and Expenses/Expenditures	
	A. Income From Financial Instruments	<hr/>
	B. Nonexchange Transactions	<hr/>

		<i>Place ✓ by Sections Applicable</i>
	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	_____
	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. Government Combinations and Disposals of Operations	_____
	P. Sales and Pledges of Receivables and Future Revenues	_____
	Q. Service Concession Arrangements	_____
	R. Nonexchange Financial Guarantees	_____
	S. Special Assessments	_____
	T. Termination Benefits	_____
	U. Going Concern	_____
	V. Chapter 9 Bankruptcies	_____
VIII.	Required Supplementary Information	
	A. Management's Discussion and Analysis	_____

*Place ✓ by  
Sections  
Applicable*

- 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 *State and Local Governments* (as of March 1, 2013)

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

GASB = Governmental Accounting Standards Board Statement

GASBI = GASB Interpretation

GASB Cod. sec. = *Codification of Governmental Accounting and Financial Reporting Standards* by GASB (as of June 30, 2012)

GTB = Technical Bulletin issued by the staff of GASB

NCGA = National Council on Governmental Accounting Statement

Q&A = GASB *Comprehensive Implementation Guide* as of June 30, 2012

**.03** Checklist questionnaire:

**I. General Reporting**

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<b>A. Overview</b>			
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)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>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 position.) [GASB 34 par. 136, as amended by GASB 63 par. 6, and GASB 34 par. 137 (GASB Cod. sec. Sp20.105-.106)]</p>	_____	_____	_____
<p>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? [GASB 34 par. 138 (GASB Cod. sec. Sp20.107)]</p>	_____	_____	_____
<p>5. 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)]</p>	_____	_____	_____
<p>6. Is each financial statement properly titled? [Generally Accepted]</p>	_____	_____	_____
<p>7. 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)]</p>	_____	_____	_____
<b>B. Comparative Financial Information</b>			
<p>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? [GASB 62 par. 52 (GASB Cod. sec. 2200.202)]</p>	_____	_____	_____
<p>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? [GASB 62 par. 53 (GASB Cod. sec. 2200.203)]</p>	_____	_____	_____
<p>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 2.55]</p>	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<b>C. Accounting Changes and Error Corrections</b>			
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 reported as restatements of beginning net position, 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 position? [GASB 34 fn 13, as amended by GASB 62 par. 77-82 and GASB 63 par. 8 (GASB Cod. sec. 2250 fn 13)]	_____	_____	_____
3. For an accounting change, does disclosure in the period of the change include			
a. nature of the change?	_____	_____	_____
b. justification for the change and a clear explanation of why the newly adopted principle is preferable?	_____	_____	_____
c. amount of the change? [GASB 62 par. 75, 77, and 87 (GASB Cod. sec. 2250.138, 2250.140, and 2250.150)]	_____	_____	_____
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?	_____	_____	_____
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? [GASB 62 par. 89 (GASB Cod. sec. 2250.152)]	_____	_____	_____
<b>D. Prior-Period Adjustments</b>			
1. For prior-period adjustments			
a. for single-period statements, does the disclosure indicate the effects of such restatement on 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? [GASB 62 par. 62, as amended by GASB 63 par. 8 (GASB Cod. sec. 2250.125)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
2. If the prior-period adjustments pertain to historical summaries of financial data, are the adjustments reflected therein with appropriate disclosure? [GASB 62 par. 62, as amended by GASB 63 par. 8 (GASB Cod. sec. 2250.125)]	_____	_____	_____
3. 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? [GASB 62 par. 50 (GASB Cod. sec. 2200.150)]	_____	_____	_____

## II. Government-Wide Financial Statements

### A. Overview

1. Do the government-wide financial statements			
a. consist of a statement of net position and a statement of activities? [GASB 34 par. 12, as amended by GASB 63 par. 7–8 (GASB Cod. sec. 2200.105 and .110, D30.108 and F60.102)]	_____	_____	_____
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? <sup>1</sup> [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)]	_____	_____	_____

<sup>1</sup> In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus—an Amendment of GASB Statements No. 14 and No 34*. 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>
e. present a total column for the primary government? [GASB 34 par. 14 (GASB Cod. sec. 2200.112)]	_____	_____	_____
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)]	_____	_____	_____
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)]	_____	_____	_____
<b>B. Statement of Net Position</b>			
1. Does the statement report all financial and capital resources?	_____	_____	_____
2. 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 (GASB Cod. sec. 1800.155)]	_____	_____	_____
3. 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, <i>Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements</i> ) 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)]	_____	_____	_____
4. 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 position, except for the net residual amounts due between governmental and business-type activities, which should be presented as internal balances?	_____	_____	_____

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	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. Are amounts reported in the funds as receivable from or payable to fiduciary funds included in the statement of 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, as amended by GASB 63 par. 8 and GASB 65 par. 13 (GASB Cod. sec. 1800.103 and 2200.146); GASB 34 par. 61, as amended by GASB 63 par. 8 and GASB 65 par. 13 (GASB Cod. sec. 1800.106 and 2200.149)]	_____	_____	_____
5. 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)]	_____	_____	_____
6. 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 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 as amended by GASB 63 par. 7-8 (GASB Cod. sec. 1800.107 and 2200.156)]	_____	_____	_____
7. 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 (GASB Cod. sec. 1800.155)]	_____	_____	_____
8. Is net position displayed in three components: net investment in capital assets, restricted (distinguishing between major categories of restrictions); and unrestricted? [GASB 63 par. 8 (GASB Cod. sec. 1800.155)]	_____	_____	_____
a. When permanent endowments or permanent fund principal amounts are included, is "restricted net position" displayed in two additional components: expendable and nonexpendable?	_____	_____	_____
b. Are designations of net position not reported on the face of the statement?	_____	_____	_____
9. 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 (GASB Cod. sec. 1800.156)]	_____	_____	_____
10. 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 (GASB Cod. sec. 1800.156)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
11. 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 (GASB Cod. sec. 1800.156)]	_____	_____	_____
12. 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 (GASB Cod. sec. 2200.162)]	_____	_____	_____
13. 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 (GASB Cod. sec. 2300.107 and 2300.130)]	_____	_____	_____
14. 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 (GASB Cod. sec. 2300.107 and 2300.131)]	_____	_____	_____

**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)]	_____	_____	_____
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 position” for the period? [GASB 34 par. 38 and 53, as amended by GASB 63 par. 8 (GASB Cod. sec. 2200.126 and 2200.141)]	_____	_____	_____
a. Are special items reported before extraordinary items? [GASB 34 par. 56 (GASB Cod. sec. 1800.130 and 2200.144)]	_____	_____	_____
4. 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?	_____	_____	_____
5. At a minimum, does the entity report direct expenses for each function? [GASB 34 par. 41 (GASB Cod. sec. 1800.125 and 2200.129)]	_____	_____	_____

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	<u>Yes</u>	<u>No</u>	<u>N/A</u>
6. 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)]	_____	_____	_____
7. Except as provided in GASB Statement No. 34 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)]	_____	_____	_____
8. 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)]	_____	_____	_____
9. Are all taxes, which are general revenues, reported by type of tax? [GASB 34 par. 52 (GASB Cod. sec. 1800.127 and 2200.140)]	_____	_____	_____
10. 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)]	_____	_____	_____
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)]	_____	_____	_____
11. Are resource flows (except those that affect the statement of 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, as amended by GASB 63 par. 8 and GASB 65 par. 13 (GASB Cod. sec. 1800.106 and 2200.155)]	_____	_____	_____

### 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)]	_____	_____	_____
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	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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>B. Governmental Funds</b>			
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)]	_____	_____	_____
<i>a.</i> 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)]	_____	_____	_____
<i>b.</i> 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)]	_____	_____	_____
4. Do the governmental fund financial statements			
<i>a.</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 (GASB Cod. sec. 2200.162)]	_____	_____	_____
<i>b.</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>c.</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>d.</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)]	_____	_____	_____

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	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>e.</i> display a total column for all governmental funds? [GASB 34 par. 83 and 86 (GASB Cod. sec. 2200.156 and .159)]	_____	_____	_____
<i>f.</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?	_____	_____	_____
<i>iv.</i> Other financing sources and uses, including transfers (detailed)?	_____	_____	_____
<i>v.</i> Special and extraordinary items (detailed)?	_____	_____	_____
<i>vi.</i> Net change in fund balances?	_____	_____	_____
<i>vii.</i> Fund balances—beginning of period?	_____	_____	_____
<i>viii.</i> Fund balances—end of period? [GASB 34 par. 86 and 89 and fn 38 (GASB Cod. sec. 2200.156 and .159, and fn 27)]	_____	_____	_____
<i>b.</i> classify revenues by major source? [NCGA 1 par. 110 (GASB Cod. sec. 1800.115); GASB 34 par. 87 (GASB Cod. sec. 2200.160)]	_____	_____	_____
<i>c.</i> 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)]	_____	_____	_____
<i>d.</i> 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)]	_____	_____	_____
<i>e.</i> classify the following as other financing sources and uses:			
<i>i.</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)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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?	_____	_____	_____
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)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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)]	_____	_____	_____
<i>a.</i> 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?	_____	_____	_____
<i>a.</i> 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?	_____	_____	_____
<i>b.</i> 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)?	_____	_____	_____
<i>c.</i> 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?	_____	_____	_____
<i>d.</i> Are positive unassigned amounts reported only in the general fund?	_____	_____	_____
<i>e.</i> 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?	_____	_____	_____
<i>f.</i> If a deficit remains related to a specific purpose (see question 13 <i>e</i> ) 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)]	_____	_____	_____



	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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)]	_____	_____	_____
<b>C. Proprietary Funds</b>			
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?	_____	_____	_____
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			
a. 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 (GASB Cod. sec. 1800.155)]	_____	_____	_____
b. 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)]	_____	_____	_____
c. present the financial information of each major enterprise fund in a separate column?	_____	_____	_____
d. 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)]	_____	_____	_____

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	<u>Yes</u>	<u>No</u>	<u>N/A</u>
e. display a total column for all enterprise funds? [GASB 34 par. 96 (GASB Cod. sec. 2200.165 and P80.111)]	_____	_____	_____
f. 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)]	_____	_____	_____
g. 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, as amended by GASB 63 par. 7–8, and 12 (GASB Cod. sec. 1300.102b and P80.102)]	_____	_____	_____
5. 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 in accordance with par. 4 of GASB 62?	_____	_____	_____
6. 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 (GASB Cod. sec.1800.155)]	_____	_____	_____
7. 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 (GASB Cod. sec.1800.155)]	_____	_____	_____
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 (GASB Cod. sec.1800.156)]	_____	_____	_____
b. 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 (GASB Cod. sec.1800.155)]	_____	_____	_____
c. 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 (GASB Cod. sec.1800.162)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
8. Does the statement of revenues, expenses, and changes in fund 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. 1800.138, 1800.152, 2200.190, 2200.192, 2450 fn 5, and P80.115–.116)]	_____	_____	_____
<i>b.</i> present the following information, in the following sequence:			
<i>i.</i> Operating revenues (detailed)?	_____	_____	_____
<i>ii.</i> Total operating revenues?	_____	_____	_____
<i>iii.</i> Operating expenses (detailed)?	_____	_____	_____
<i>iv.</i> Total operating expenses?	_____	_____	_____
<i>v.</i> Operating income (loss)?	_____	_____	_____
<i>vi.</i> Nonoperating revenues and expenses (detailed)?	_____	_____	_____
<i>vii.</i> Income before other revenues, expenses, gains, losses, and transfers?	_____	_____	_____
<i>viii.</i> Capital contributions (grant, developer, and other), additions to permanent and term endowments, special and extraordinary items (detailed), and transfers?	_____	_____	_____
<i>ix.</i> Increase (decrease) in net position?	_____	_____	_____
<i>x.</i> Net position—beginning of period?	_____	_____	_____
<i>xi.</i> Net position—end of period? [GASB 34 par. 100, as amended (GASB Cod. sec. 1800.138, 2200.190, and P80.116); GASB 34 par. 101 (GASB Cod. sec. 2200.191 and P80.114); GASB 34 par. 103 (GASB Cod. sec. 2200.193 and P80.116)]	_____	_____	_____
<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)]	_____	_____	_____
<i>d.</i> report revenues by major source? [GASB 34 par. 100, as amended (GASB Cod. sec. 1800.138, 1800.152, 2200.190, and P80.116)]	_____	_____	_____
<i>e.</i> 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)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
f. identify revenues used as security for revenue bonds? [GASB 34 par. 100, as amended (GASB Cod. sec. 2200.190 and P80.116)]	_____	_____	_____
9. 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 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?	_____	_____	_____
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?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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)]	_____	_____	_____
h. 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)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<b>Entities that have implemented GASB Statement No. 65 may omit question 9<i>h</i>(i).<sup>2</sup></b>			
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?	_____	_____	_____
<b>Entities that have not implemented GASB Statement No. 65 may omit question 9<i>h</i>(ii).</b>			
ii. 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?	_____	_____	_____
iii. 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)]	_____	_____	_____
i. classify cash receipts and payments from the following activities as cash flows from noncapital financing activities:			
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?	_____	_____	_____
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?	_____	_____	_____

<sup>2</sup> 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>
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?	_____	_____	_____
vii. Repayments or refundings of amounts borrowed specifically to acquire, construct, or improve capital assets?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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

- |  |       |       |       |
|--|-------|-------|-------|
| 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?<br>[GASB 34 par. 70 (GASB Cod. sec. 1300.111)] | _____ | _____ | _____ |
|--|-------|-------|-------|



	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p><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)]</p>	_____	_____	_____
<p>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)]</p>	_____	_____	_____
<p><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)]</p>	_____	_____	_____
<p><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. 150, fn 12)]</p>	_____	_____	_____
<p>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)]</p>	_____	_____	_____
<p>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)]</p>	_____	_____	_____
<p><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)]</p>	_____	_____	_____
<p>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?<sup>3</sup> [GASB 34 par. 107 (GASB Cod. sec. 1300.102c)]</p>	_____	_____	_____

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<sup>3</sup> 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>
6. Do the fiduciary fund financial statements			
<p><i>a.</i> consist of a statement of fiduciary net position and statement of changes in fiduciary net position? (For defined benefit pension plans and OPEB, the statement of fiduciary net position and statement of changes in fiduciary net position are equivalent to the statement of plan net position and statement of changes in plan 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>.) [GASB 34 par. 106, as amended (GASB Cod. sec. 1300.102c and 2200.196); GASB 34 fn 43; GASB 43 par. 11 (GASB Cod. sec. 1300 fn 1 and 2200 fn 34)]</p>	_____	_____	_____
<p><i>i.</i> Does the statement of changes in fiduciary net position report additions and deductions rather than revenues and expenses? [GASB 34 par. 109, as amended by GASB 63 par. 8 (GASB Cod. sec. 2200.198)]</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? [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)]</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? [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? [GASB 34 par. 106, as amended (GASB Cod. sec. 2200.175)]</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?<sup>4</sup> [GASB 34 par. 108–109, as amended (GASB Cod. sec. 2200.197–.198)]</p>	_____	_____	_____

<sup>4</sup> See also the subsection on employee benefit pension plans—sponsor and employer reporting in section VII, "Specialized Topics," of this checklist.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
f. report agency fund assets equal to agency fund liabilities? [GASB 34 par. 110, as amended by GASB 63 par. 8 (GASB Cod. sec. 2200.199)]	_____	_____	_____
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]	_____	_____	_____
g. not report agency funds in the statement of changes in fiduciary net position? [GASB 34 par. 110, as amended by GASB 63 par. 8 (GASB Cod. sec. 2200.199)]	_____	_____	_____
<b>E. Interfund Activity and Balances<sup>5</sup></b>			
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)]	_____	_____	_____
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)?	_____	_____	_____
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))]	_____	_____	_____
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)]	_____	_____	_____
4. Are transfers reported as			
a. other financing uses in the governmental funds making transfers?	_____	_____	_____
b. other financing sources in the governmental funds receiving transfers?	_____	_____	_____

<sup>5</sup> 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>
c. after nonoperating revenues and expenses in proprietary funds? [GASB 34 par. 112b(1) (GASB Cod. sec. 1800.102b(1))]	_____	_____	_____
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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position<sup>6</sup>

##### A. Financial Instruments<sup>7</sup>

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)]	_____	_____	_____
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<sup>6</sup> See also section VII, "Specialized Topics," of this checklist.

<sup>7</sup> 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 section VII, "Specialized Topics," of this checklist.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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); GASB 62 par. 202–210]	_____	_____	_____
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]	_____	_____	_____
<b><i>Repurchase and Reverse Repurchase Agreements</i></b>			
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)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>Securities Lending Transactions</i>			
7. Are the following items reported in the financial position statements:			
<i>a.</i> Securities lent? [GASB 28 par. 5 (GASB Cod. sec. I60.103)]	_____	_____	_____
<i>b.</i> Cash received as collateral and investments made with that cash?	_____	_____	_____
<i>c.</i> Securities received as collateral if the entity has the ability to pledge or sell them without a borrower default?	_____	_____	_____
<i>d.</i> 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

*(continued)*

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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)]			

**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?)<br>[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?<br>[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?<br>[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?<br>[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?<br>[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?<br>[GASB 24 par. 6 and fn 5 (GASB Cod. sec. F60.101 and fn 3); GASB 34 par. 12 (GASB Cod. sec. F60.102)] | _____ | _____ | _____ |
|--|-------|-------|-------|

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<b>Entities that have implemented GASB Statement No. 65 may omit question 7.</b>			
7. In governmental funds, are food stamp balances offset by deferred revenue? [GASB 24 par. 6 (GASB Cod. sec. F60.101)]	_____	_____	_____
<b>Entities that have not implemented GASB Statement No. 65 may omit question 8.</b>			
8. In governmental funds, are food stamp balances offset by a liability that excludes the term <i>deferred</i> ? [GASB 24 par. 6, as amended by GASB 65 par. 31 (GASB Cod. sec. F60.101)]	_____	_____	_____
<b>C. Inventories</b>			
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)]	_____	_____	_____
<b>D. Capital Assets, Including Intangible Assets<sup>8</sup></b>			

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#### 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 position 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

*(continued)*

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<sup>8</sup> See also the subsections on leases, landfill closure and postclosure care costs, and special assessments in section VII, "Specialized Topics," of this checklist.



	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>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)]</p>			
1.			
<p>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)]</p>			
2.			
<p>Are capital assets of fiduciary funds (and similar component units) reported only in the statement of fiduciary net position? [NCGA 1 par. 32 and 34, as amended (GASB Cod. sec. 1400.101); GASB 34 par. 108, as amended by GASB 63 par. 8 (GASB Cod. sec. 1400.116)]</p>			
3.			
<p>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 position? [NCGA 1 par. 32, as amended (GASB Cod. sec. 1400.101); GASB 34 par. 80, as amended by GASB 63 par. 8 (GASB Cod. sec. 1400.114)]</p>			
4.			
<p>Subject to the general rules for asset capitalization indicated in the preceding questions:</p>			
a.			
<p>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)]</p>			
b.			
<p>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)]</p>			
c.			
<p>Are intangible assets that meet the identifiable criteria reported in the statement of 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, as amended by GASB 63 par. 8 (GASB Cod. sec. 1400.140–141)]</p>			
d.			
<p>Are outlays for internally generated intangible assets only capitalized upon the occurrence of all of the following:</p>			
i.			
<p>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?</p>			

		<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 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, as amended by GASB 63 par. 8 (GASB Cod. sec. 1400.112)]	_____	_____	_____
<b>E. Clearing Account Assets</b>				
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)]	_____	_____	_____
<b>F. Liabilities, Including Debt</b>				
1.	Are long-term liabilities directly related to and expected to be paid from proprietary funds reported in the proprietary fund statement of net position and in the government-wide statement of net position? [NCGA 1 par. 42, as amended, and GASB 34 par. 30 and 92, as amended by GASB 63 par. 8 (GASB Cod. sec. 1500.102)]	_____	_____	_____
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 position? [NCGA 1 par. 42, as amended, and GASB 34 par. 6 and 108, as amended by GASB 63 par. 8 (GASB Cod. sec. 1500.102)]	_____	_____	_____

	<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 <sup>9</sup> ) not reported as liabilities in governmental funds but reported only in the governmental activities column in the government-wide statement of net position? [NCGA 1 par. 43, as amended, and GASB 34 par. 82, as amended by GASB 63 par. 8 (GASB Cod. sec. 1500.103)]	_____	_____	_____
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)]	_____	_____	_____
<b>Customer Deposits</b>			
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 8.76]	_____	_____	_____
<b>Compensated Absences Liabilities</b>			
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)]	_____	_____	_____
<b>Lottery Prizes</b>			
7. Does the entity report a liability for lottery prizes? [AAG-SLV 12.120–.125]	_____	_____	_____
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 12.122]	_____	_____	_____

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<sup>9</sup> 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>
<b><i>Bond, Tax, and Revenue Anticipation Notes</i></b>			
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 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 GASB Statement No. 62 paragraphs 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 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 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 position? [NCGAI 9 par. 12, as amended (GASB Cod. sec. B50.102); GASB 34 par. 15 (GASB Cod. sec. B50.103)]	_____	_____	_____
<b><i>Debt Refundings</i></b>			
10. In governmental funds <sup>10</sup>			
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)]	_____	_____	_____

<sup>10</sup> 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>
<b>Entities that have implemented GASB Statement No. 65 may omit question 11.</b>			
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 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 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 (GASB Cod. sec. D20 fn 6)]	_____	_____	_____
<b>Entities that have not implemented GASB Statement No. 65 may omit question 12.</b>			
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)]	_____	_____	_____
<b>Demand Bonds</b>			
14. Are demand bonds reported as general long-term liabilities (and reported only in the government-wide statement of 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?	_____	_____	_____
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, as amended by GASB 63 par. 8 (GASB Cod. sec. D30.108)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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 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, as amended by GASB 63 par. 8 (GASB Cod. sec. D30.109)]	_____	_____	_____
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)]	_____	_____	_____
<b><i>Long-Term Obligations That Are Callable Because of Covenant Violations</i></b>			
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? [GASB 62 par. 34, as amended by GASB 63 par. 8 (GASB Cod. sec. 1500.106 and 1800.113)]	_____	_____	_____
20. If an obligation as discussed in question 18 is classified as a long-term liability, are the circumstances disclosed? [GASB 62 par. 44 (GASB Cod. sec. 2300.116)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>Loss 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)]	_____	_____	_____
<b>G. Net Position</b>			
1. If the entity receives nonexchange transaction resources that have purpose restrictions, does it report the resulting net position 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]	_____	_____	_____
<b>V. Revenues and Expenses/Expenditures<sup>11</sup></b>			
<b>A. Income on Investments and Investment-Related Activity<sup>12</sup></b>			
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?	_____	_____	_____

<sup>11</sup> See also section VII, "Specialized Topics," of this checklist.

<sup>12</sup> 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 section VII, "Specialized Topics," of this checklist.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>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)]</p>	_____	_____	_____
<i>Repurchase and Reverse Repurchase Agreements</i>			
<p>6. Is the income from repurchase and fixed coupon repurchase agreements shown as interest income? [GASB 3 par. 82 (GASB Cod. sec. I50.114)]</p>	_____	_____	_____
<p>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)]</p>	_____	_____	_____
<p>8. Concerning reverse repurchase and fixed coupon reverse repurchase agreements:</p>			
<p>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)]</p>	_____	_____	_____
<p>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)]</p>	_____	_____	_____
<p>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)]</p>	_____	_____	_____
<p>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)]</p>	_____	_____	_____



	<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>B. Nonexchange Transactions<sup>13</sup></b>			
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)]	_____	_____	_____

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<sup>13</sup> The practice tip in the subsection on nonexchange transactions in section IV, “Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position,” of this checklist 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)]	_____	_____	_____
<b>C. Capital Asset-Related Revenues and Expenses/Expenditures</b>				
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 position, as a program or operating expense, special item, or extraordinary item, as appropriate? [GASB 42 par. 17 and fn 6, as amended by GASB 63 par. 8 (GASB Cod. sec. 1400.192 and fn 33)]	_____	_____	_____
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, as amended by GASB 63 par. 8 (GASB Cod. sec. 1400.192)]	_____	_____	_____
5.	Concerning insurance recoveries and asset restorations and replacements relating to capital asset impairments: <sup>14</sup>			
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)]	_____	_____	_____
<b>D. Other</b>				
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)]	_____	_____	_____

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<sup>14</sup> In accordance with the provisions of GASB *Codification of Governmental Accounting and Financial Reporting Standards* section 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>
<b>Practice Tips</b>			
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 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)]	_____	_____	_____
<b>Entities that have not implemented GASB Statement No. 61 may omit questions 1d–e.</b>			
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 14 par. 63, as amended by GASB 61 par. 11 (GASB Cod. sec. 2300.105)]	_____	_____	_____
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 14 par. 63, as amended by GASB 61 par. 11 (GASB Cod. sec. 2300.105)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<b>B. Summary of Significant Accounting Policies<sup>15</sup></b>			
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)]	_____	_____	_____
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)]	_____	_____	_____
<b>Entities that have not implemented GASB Statement No. 61 may omit question 2c.</b>			
c. did the financial reporting entity disclose the rationale for including each component unit and the manner in which it is included? [GASB 14 par. 63, as amended by GASB 61 par. 11 (GASB Cod. sec. 2300.105)]	_____	_____	_____
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, as amended by GASB 63 par. 8 (GASB Cod. sec. 2300.106a)]	_____	_____	_____

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<sup>15</sup> 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).

## State and Local Governments

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p><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. 8 (GASB Cod. sec. 2300.106)]</p>	_____	_____	_____
<p><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)]</p>	_____	_____	_____
<p><i>h.</i> the policy for interfund eliminations in the fund financial statements? [NCGAI 6, appendix, as amended (GASB Cod. sec. 2300.901)]</p>	_____	_____	_____
<p><i>i.</i> the policy for capitalizing assets and for estimating the useful lives of those assets (used to calculate depreciation expense)?</p>	_____	_____	_____
<p><i>j.</i> a description of the modified approach for reporting eligible infrastructure assets, if used?</p>	_____	_____	_____
<p><i>k.</i> the types of transactions included in program revenues in the statement of activities?</p>	_____	_____	_____
<p><i>l.</i> the policy for allocating indirect expenses to functions in the statement of activities? [GASB 34 par. 115, as amended by GASB 63 par. 8 (GASB Cod. sec. 2300.106a)]</p>	_____	_____	_____
<p><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, as amended by GASB 63 par. 8 (GASB Cod. sec. 2300.106a)]</p>	_____	_____	_____
<p><i>n.</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)]</p>	_____	_____	_____
<p><i>o.</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 position are available? [GASB 34 par. 115, as amended by GASB 63 par. 8 (GASB Cod. sec. 2300.106a)]</p>	_____	_____	_____
<p><i>p.</i> significant or unusual accounting treatment for other material account balances or activities? [NCGAI 6, appendix, as amended (GASB Cod. sec. 2300.901)]</p>	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
q. the method and period of amortization for intangible assets? [GASB 51 par. 5 (GASB Cod. sec. 2300.106a[7])]	_____	_____	_____
r. the basis for stating inventories, including the method of determining cost? [GASB 62 par. 201, as amended by GASB 63 par. 8 (GASB Cod. sec. 2300.106)]	_____	_____	_____
s. 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)]	_____	_____	_____
t. 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)]	_____	_____	_____
u. 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)]	_____	_____	_____
v. 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)]	_____	_____	_____
w. the government’s minimum fund balance policies, if applicable? [GASB 54 par. 27 (GASB Cod. sec. 1800.164)]	_____	_____	_____
<b>C. Financial Instruments<sup>16</sup></b>			
1. Are the investment disclosures organized by investment type, unless otherwise required? [GASB 40 par. 4 (GASB Cod. sec. I50.124)]	_____	_____	_____
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)]	_____	_____	_____

<sup>16</sup> See also the subsections on derivative instruments and governmental external investment pools in the section VII, “Specialized Topics,” of this checklist.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
3. For deposits with financial institutions and investments (including repurchase agreements), do note disclosures include			
<i>a.</i> a brief description of the types of investments authorized by legal or contractual provisions?	_____	_____	_____
<i>b.</i> 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)]	_____	_____	_____
<i>c.</i> 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)]	_____	_____	_____
<i>d.</i> 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)]	_____	_____	_____
<i>e.</i> 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)]	_____	_____	_____
<i>f.</i> 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)]	_____	_____	_____
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)]	_____	_____	_____



	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>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)]</p>	_____	_____	_____
<p>6. For investments, do note disclosures include</p> <p><i>a.</i> information about investment valuation, including</p> <p style="padding-left: 20px;"><i>i.</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?</p> <p style="padding-left: 20px;"><i>ii.</i> the policy for determining which investments, if any, are reported at amortized cost? [GASB 31 par. 15 (GASB Cod. sec. I50.120)]</p> <p><i>b.</i> 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)]</p> <p><i>c.</i> 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)]</p> <p><i>d.</i> 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.)</p>	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
[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? <sup>17</sup>	_____	_____	_____
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?	_____	_____	_____
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?	_____	_____	_____

<sup>17</sup> GASB Interpretation No. 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. The difference, if any, between the amount at which an investment is carried and the amount of underlying equity in 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, as amended by GASB 62 par. 202–210 (GASB Cod. sec. I50.104)]	_____	_____	_____
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?	_____	_____	_____
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, <i>Accounting and Financial Reporting for Derivative Instruments</i> ? [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)]	_____	_____	_____

***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 62 par. 170–171 (GASB Cod. sec. F70.106–.107 and 2300.107)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>Reverse Repurchase Agreements</i>			
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)]	_____	_____	_____
e. losses recognized during the period due to default by counterparties to reverse repurchase agreements and amounts recovered from prior-period losses? <sup>18</sup> [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)]	_____	_____	_____

<sup>18</sup> 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>
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)]	_____	_____	_____
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? <sup>19</sup> [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)]	_____	_____	_____

<sup>19</sup> See footnote 18.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<b>D. Nonexchange Transactions<sup>20</sup></b>			
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)]	_____	_____	_____
<b><i>Property Taxes</i></b>			
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)]	_____	_____	_____
<b><i>On-Behalf Payments for Fringe Benefits and Salaries</i></b>			
6. Do the notes disclose the amount of revenue recognized for on-be-half 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)]	_____	_____	_____
<b><i>Donor-Restricted Endowments</i></b>			
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 position?	_____	_____	_____
b. The state law regarding the ability to spend net appreciation?	_____	_____	_____

<sup>20</sup> The practice tip in the subsection on nonexchange transactions in section IV, "Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position," of this checklist discusses the definitions, classifications, and examples of nonexchange transactions.

		<u>Yes</u>	<u>No</u>	<u>N/A</u>
	c. The policy for authorizing and spending investment income, such as a spending-rate or total-return policy? [GASB 34 par. 121, as amended by GASB 63 par. 8 (GASB Cod. sec. 2300.106 and 2300.123)]	_____	_____	_____
<b>E.</b>	<b>Capital Assets</b>			
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? [GASB 62 par. 95, as amended by GASB 63 par. 8 (GASB Cod. sec. 2300.106)]	_____	_____	_____
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			
	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)]	_____	_____	_____
<b>F.</b>	<b>Liabilities, Including Debt</b>			
	<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:			
	a. A schedule of changes in short-term debt, disclosing beginning-and end-of-year balances, increases, and decreases?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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)]	_____	_____	_____
<b><i>Long-Term Liabilities, Including Debt</i></b>			
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: <sup>21</sup> [GASB 34 par. 116 (GASB Cod. sec. 2300.111)]			
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:			
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.)	_____	_____	_____
b. The terms by which interest rates change for variable-rate debt? [GASB 38 par. 10 (GASB Cod. sec. 1500.118 and 2300.106m)]	_____	_____	_____
<b><i>Interest Costs</i></b>			
4. Does the entity disclose the following with respect to interest cost:			
a. If no interest cost is capitalized, the amount of interest cost incurred and charged to expense during the period?	_____	_____	_____
b. If some interest cost is capitalized, the total amount of interest cost incurred and the amount capitalized? [GASB 62 par. 22 (GASB Cod. sec. 1400.137)]	_____	_____	_____

<sup>21</sup> 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 section VII, “Specialized Topics,” of this checklist.



	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<b><i>Bond, Tax, and Revenue Anticipation Notes</i></b>			
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)]	_____	_____	_____
<b><i>Conduit Debt</i></b>			
6. Do disclosures about conduit debt obligations (whether or not reported in the financial statements) include			
a. a general description of the conduit debt transactions?	_____	_____	_____
b. the aggregate amount of all conduit debt obligations outstanding at the financial statement date?	_____	_____	_____
c. a clear indication that the issuer has no obligation for the debt beyond the resources provided by related leases or loans? [GASBI 2 par. 3 (GASB Cod. sec. C65.102)]	_____	_____	_____
<b><i>Debt Refundings</i></b>			
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)]	_____	_____	_____
<b><i>Demand Bonds</i></b>			
9. Do disclosures for demand bonds outstanding include			
a. a general description of the demand bond program?	_____	_____	_____
b. terms of any letters of credit or other standby liquidity agreements outstanding, commitment fees to obtain the letters of credit, and any amounts drawn on them outstanding as of the 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)]	_____	_____	_____

		<u>Yes</u>	<u>No</u>	<u>N/A</u>
<b><i>Troubled Debt Restructuring</i></b>				
10.	For periods after a troubled debt restructuring, do disclosures for the debtor include			
	<i>a.</i> extent to which amounts contingently payable are included in the carrying amount of restructured payables?	_____	_____	_____
	<i>b.</i> total amounts contingently payable, if applicable, and conditions under which those amounts would become payable or forgiven? [GASB 62 par. 148 (GASB Cod. sec. D20.139)]	_____	_____	_____
11.	<b><i>Disclosure by debtors.</i></b> For all troubled debt restructurings that occurred during the period, did the entity disclose			
	<i>a.</i> a description of the principal changes, in terms of the major features of settlement, or both, for each restructuring?	_____	_____	_____
	<i>b.</i> aggregate gain on restructuring of payables?	_____	_____	_____
	<i>c.</i> aggregate net gain or loss on transfers of assets recognized during the period? [GASB 62 par. 147–148 (GASB Cod. sec.D20.138–D20.139)]	_____	_____	_____
12.	<b><i>Disclosure by creditors.</i></b> For all troubled debt restructurings that occurred during the period, did the entity disclose			
	<i>a.</i> by major category (for outstanding receivables whose terms were modified in a troubled debt restructuring)			
	<i>i.</i> aggregate recorded investment?	_____	_____	_____
	<i>ii.</i> 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?	_____	_____	_____
	<i>iii.</i> amount of interest revenue on those receivables that was included in changes in net position for the period?	_____	_____	_____
	<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, as amended by GASB 63 par. 8 (GASB Cod. sec. D20.153)]	_____	_____	_____
<b>G. Contingencies and Commitments</b>				
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)? <sup>22</sup> [NCGA 1 par. 46, as amended; GASB 10 par. 58 (GASB Cod. sec. 1500.125 and C50.115)]	_____	_____	_____

<sup>22</sup> See also the "Risk Financing and Related Financing Issues—Entities Other Than Risk Pools" section in section VII, "Specialized Topics," of this checklist.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
2. For unconditional purchase obligations that have not been recognized on the entity's financial position statement(s), do the notes disclose			
<i>a.</i> the nature and term of the obligation(s)?	_____	_____	_____
<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?	_____	_____	_____
<i>c.</i> the nature of any variable components of the obligation(s)?	_____	_____	_____
<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? [Generally accepted]	_____	_____	_____
3. Does the entity disclose unused letters of credit, assets pledged as security for loans, and construction and other significant commitments? <sup>23</sup> [NCGA 1 par. 158, as amended (GASB Cod. sec. 2300.106k)]	_____	_____	_____
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)]	_____	_____	_____
5. Does the entity adequately disclose gain contingencies, with care to avoid any misleading implications about the likelihood of realization? [GASB 62 par. 112 (GASB Cod. sec. C50.167 and 2300.106)]	_____	_____	_____
<b>H. Joint Costs That Include Fund Raising</b>			
1. If the entity allocates joint costs among fund raising and other functions, does it disclose			
<i>a.</i> the types of activities for which joint costs have been incurred?	_____	_____	_____
<i>b.</i> a statement that such costs have been allocated?	_____	_____	_____
<i>c.</i> the total amount allocated during the period and the portion allocated to each functional expense category?	_____	_____	_____
<i>d.</i> the amount of joint costs for each kind of joint activity (encouraged but not required)? [ACC 10,730.18-.19]	_____	_____	_____

<sup>23</sup> Commitments are existing arrangements to enter into future transactions or events (AAG-SLV 8.104).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<b>I. Segment Disclosures</b>			
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? <sup>24</sup>	_____	_____	_____
2. Do disclosures for each segment			
a. identify the types of goods and services provided?	_____	_____	_____
b. present a condensed statement of 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 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 position, including			
i. operating revenues (by major source)?	_____	_____	_____
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 position?	_____	_____	_____
ix. beginning net position?	_____	_____	_____
x. ending net position?	_____	_____	_____

<sup>24</sup> 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>
<i>d.</i> present a condensed statement of cash flows, including			
<i>i.</i> net cash provided (used) by			
(1) operating activities?	_____	_____	_____
(2) noncapital financing activities?	_____	_____	_____
(3) capital and related financing activities?	_____	_____	_____
(4) investing activities?	_____	_____	_____
<i>ii.</i> beginning cash and cash equivalent balances?	_____	_____	_____
<i>iii.</i> ending cash and cash equivalent balances? [GASB 34 par. 122, as amended (GASB Cod. sec. 2500.101)]	_____	_____	_____
<b>J. Subsequent Events</b>			
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 position and affect the estimates inherent in the process of preparing financial statements?	_____	_____	_____
<i>a.</i> Are the financial statements adjusted for those recognized events including for changes in estimates? [GASB 56 par. 9 and 11–12, as amended (GASB Cod. sec. 2250.110 and 112–113 and 2300.106)]	_____	_____	_____
3. Are nonrecognized events those events that provide evidence to conditions that did not exist at the date of the statement of 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, as amended (GASB Cod. sec. 2300.106)]	_____	_____	_____
<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)]	_____	_____	_____
<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)]	_____	_____	_____
<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)]	_____	_____	_____
<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)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<b>K. Related Parties, Including Component Units</b>			
1. For the separately issued financial statements of a component unit, do the financial statements			
<i>a.</i> acknowledge that it is a component unit of another government?	_____	_____	_____
<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)]	_____	_____	_____
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)]	_____	_____	_____
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.)	_____	_____	_____
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)]	_____	_____	_____
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)]	_____	_____	_____
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, as amended (GASB Cod. Sec. 2250.103, 2300.107, and L20.153)]	_____	_____	_____
<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)]	_____	_____	_____

		<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>e.</i>	The nature and extent of leasing transactions with related parties? [NCGA 5 par. 27 (GASB Cod. sec. L20.125); GASB 62 par. 239–240 (GASB Cod. sec. L20.154–155)]	_____	_____	_____
<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)]	_____	_____	_____
<b>L. Other Disclosures</b>				
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?	_____	_____	_____
<i>iii.</i>	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)]	_____	_____	_____
<i>d.</i>	the following details about interfund transfers reported in the fund financial statements:			
<i>i.</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?	_____	_____	_____
<i>ii.</i>	A general description of the principal purposes of the government’s interfund transfers?	_____	_____	_____

## State and Local Governments

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>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)]</p>	_____	_____	_____
<p>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)]</p>	_____	_____	_____
<p>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)]</p>	_____	_____	_____
<p>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)]</p>	_____	_____	_____
<p>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)]</p>	_____	_____	_____
<p>i. the amount and financial statement classification of insurance recoveries? [GASB 42 par. 21 (GASB Cod. sec. 1400.177 and 2300.107gg)]</p>	_____	_____	_____
<p>j. deficit fund balance or net position of individual nonmajor funds? [NCGAI 6 par. 4, as amended by GASB 34 (GASB Cod. sec. 2300.106n)]</p>	_____	_____	_____
<p>k. the amount of the primary government's 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)]</p>	_____	_____	_____
<p>l. the amount of any allowances for uncollectible receivables if not presented on the face of the financial statements? [GASB 62 par. 33 (GASB Cod. sec. 1800.112 and 2200.178)]</p>	_____	_____	_____



**VII. Specialized Topics**

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<b>A. Organizational Relationships, Including Component Units and Joint Ventures Component Units<sup>25</sup></b>			
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:			
<i>a.</i> 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?	_____	_____	_____
<i>b.</i> 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?	_____	_____	_____
<i>c.</i> 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)]	_____	_____	_____
4. If the entity chooses to present component unit information in the notes (question 3 <i>c</i> ), are these details presented, at a minimum, for each major component units and the aggregate of nonmajor component units:			
<i>a.</i> Condensed statement of net position			
<i>i.</i> Total assets—distinguishing between capital assets and other assets (with amounts receivable from the primary government or from other component units reported separately)?	_____	_____	_____
<i>ii.</i> 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)?	_____	_____	_____
<i>iii.</i> Total net position—distinguishing between net investment in capital assets and restricted and unrestricted components of net position?	_____	_____	_____

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<sup>25</sup> 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>
b. 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 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)]	_____	_____	_____
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***

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**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)]

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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 position as a single amount?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p><i>b.</i> is the fund’s share of the joint venture’s change in net position reported in its statement of revenues, expenses, and changes in fund net position as a single amount? [GASB 14 par. 73; as amended; GASB 34 par. 91 and 103 (GASB Cod. sec. J50.106)]</p>	_____	_____	_____
<p>8. In governmental funds that participate in joint ventures in which there is an equity interest</p>			
<p><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)?</p>	_____	_____	_____
<p><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, as amended by GASB 63 par. 8 (GASB Cod. sec. J50.107)]</p>	_____	_____	_____
<p>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)]</p>	_____	_____	_____
<p>10. For all joint ventures (regardless of whether there is an equity interest), does the entity disclose a general description, including</p>			
<p><i>a.</i> a description of the participating government’s ongoing financial interest (including its equity interest, if applicable) or ongoing financial responsibility?</p>	_____	_____	_____
<p><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?</p>	_____	_____	_____
<p><i>c.</i> information about the availability of separate financial statements of the joint venture?</p>	_____	_____	_____
<p><i>d.</i> required information about related-party transactions? [GASB 14 par. 75 (GASB Cod. sec. J50.109)]</p>	_____	_____	_____
<p>11. For jointly governed organizations, has the entity disclosed required information about related-party transactions? [GASB 14 par. 77 (GASB Cod. sec. J50.111)]</p>	_____	_____	_____
<p>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)]</p>	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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)]			

**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 Instruments<sup>26</sup>****Practice Tips**

GASB Statement No. 53 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

*(continued)*

<sup>26</sup> 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.

Yes      No      N/A

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. Alternatively, the changes in fair value of derivative instruments that are classified as hedging derivative instruments are reported in the statement of net position and deferred outflows of resources or deferred inflows of resources.

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 position.

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.

GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53*, amends GASB Statement No. 53 by clarifying whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty’s credit support provider.

- |  |  |  |  |
|--|--|--|--|
| <p>1. Are the following disclosures made for derivatives that are reported on the statement of net position:</p> <p style="margin-left: 20px;">a. Are the derivatives disclosures in the notes to the basic financial statements organized by governmental activities, business-type activities, and fiduciary funds?<br/>[GASB 53 par. 69 (GASB Cod. sec. D40.165)]</p> <p style="margin-left: 20px;">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?<br/>[GASB 53 par. 69 (GASB Cod. sec. D40.165)]</p> <p style="margin-left: 20px;">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).<br/>[GASB 53 par. 69 (GASB Cod. sec. D40.165)]</p> | <p>_____</p> <p>_____</p> <p>_____</p> | <p>_____</p> <p>_____</p> <p>_____</p> | <p>_____</p> <p>_____</p> <p>_____</p> |
|--|--|--|--|

## State and Local Governments

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>d.</i> Does the summary include, in either narrative, columnar or tabular form, or a combination, the following:			
<i>i.</i> The notional amount.	_____	_____	_____
<i>ii.</i> Changes in fair value during the reporting period and the classification in the financial statements where those changes in fair value are reported.	_____	_____	_____
<i>iii.</i> 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.)	_____	_____	_____
<i>iv.</i> 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)]	_____	_____	_____
<i>e.</i> For hedging derivatives, does disclosure contain the following:			
<i>i.</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)]	_____	_____	_____
<i>ii.</i> 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)]	_____	_____	_____
<i>iii.</i> 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)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
iv. Details of the net cash flows in accordance with GASB Statement No. 38, <i>Certain Financial Statement Note Disclosures</i> , 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)]	_____	_____	_____
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)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<b>C. Escheat Property</b>			
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)]	_____	_____	_____
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)]	_____	_____	_____
<b>D. Governmental External Investment Pools</b>			
<i>Separate or Stand-Alone Financial Reports</i>			
1. Does the pool report include an MD&A, a statement of net position, a statement of changes in 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, as amended by GASB 63 par. 8 (GASB Cod. sec. In5.103)]	_____	_____	_____
2. Does the report apply all applicable GASB pronouncements? <sup>27</sup>	_____	_____	_____
3. Do the report's notes to the financial statements disclose			
<i>a.</i> a brief description of any regulatory oversight (including whether the pool is registered with the SEC as an investment company)?	_____	_____	_____
<i>b.</i> the frequency of determining the fair value of investments?	_____	_____	_____
<i>c.</i> the method used to determine participants' shares sold and redeemed and whether that method differs from the method used to report investments?	_____	_____	_____
<i>d.</i> whether the pool sponsor has provided or obtained any legally binding guarantees during the period to support the value of shares?	_____	_____	_____
<i>e.</i> the extent of involuntary participation in the pool, if any?	_____	_____	_____
<i>f.</i> 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?	_____	_____	_____

<sup>27</sup> See, in particular, the subsections on cash, investments, and investment-related activity in the sections of this checklist titled "Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, 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> |
|--|------------|-----------|------------|
| 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)?<br>[GASB 31 par. 17 (GASB Cod. sec. In5.103)] | _____      | _____     | _____      |

***Sponsoring Government's Financial Report***

- |  |       |       |       |
|--|-------|-------|-------|
| 4. Is the external portion of each sponsored pool reported as a separate investment trust fund?<br>[GASB 31 par. 18; GASB 34 par. 71, as amended by GASB 63 par. 8 (GASB Cod. sec. I50.117)]   | _____ | _____ | _____ |
| 5. Is the net position of each of the sponsor's funds or component units (the internal portion) reported as assets in those funds and component units?<br>[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 position held in trust for pool participants"?<br>[GASB 31 par. 18, as amended by GASB 63 par. 8 (GASB Cod. sec. I50.117)]  | _____ | _____ | _____ |
| 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.)<br>[GASB 31 par. 19, as amended (GASB Cod. sec. I50.118)]  | _____ | _____ | _____ |
| c. condensed statements of fiduciary net position and changes in fiduciary net position? (If a pool includes both internal and external investors, those condensed financial statements should include, in total, the net position held in trust for all pool participants, and the equity of participants should distinguish between internal and external portions.)<br>[GASB 31 par. 19, as amended (GASB Cod. sec. I50.118)] | _____ | _____ | _____ |

**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?<br>[GASB 34 par. 16, as amended by GASB 63 par. 7 (GASB Cod. sec. L10.110)] | _____ | _____ | _____ |
|--|-------|-------|-------|

## State and Local Governments

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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)]	_____	_____	_____
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 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)?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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?	_____	_____	_____
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**

1. 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 2]), subject to the accounting and financial reporting distinctions of governmental funds? [GASB 14 par. 58, as amended (GASB Cod. sec. 2600.117 and L20.150–151)]	_____	_____	_____
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**For entities that have implemented GASB Statement No. 66,<sup>28</sup> references in question 1 to GASB 62 par. 222 and 227b regarding operating lease payments that vary from a straight-line basis no longer apply.**

2. 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 position, related debt should be reported as a general long-term liability in the government-wide statement of 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. L20.149); NCGA 5 par. 24 and GASB 34 par. 80 and 82 (GASB Cod. sec. I.120.–.121 and L20.150–.151); GASB 14 par. 58 (GASB Cod. sec. 2600.117 and L20.150–.151)]	_____	_____	_____
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<sup>28</sup> GASB Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*, 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. 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, as amended (GASB Cod. sec. 2600.117 and L20.150-.151)]	_____	_____	_____
<i>Lessors</i>			
<b>Entities that have implemented GASB Statement No. 65 may omit questions 4–5.</b>			
4. 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)]	_____	_____	_____
5. 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)]	_____	_____	_____
<b>Entities that have not implemented GASB Statement No. 65 may omit questions 6–7.</b>			
6. 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)]	_____	_____	_____
7. 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)]	_____	_____	_____
8. Does the entity make the disclosures required by GASB Statement No. 62 paragraph 231? [NCGA 5 par. 27 (GASB Cod. sec. L20.140)]	_____	_____	_____
<i>a.</i> For all leases, a general description of the lessor’s leasing arrangements?	_____	_____	_____
<i>b.</i> For sales-type and direct financing leases			
<i>i.</i> specific components of the net investment in the leases as of the date of each financial position statement presented?	_____	_____	_____
<i>ii.</i> 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?	_____	_____	_____
<i>iii.</i> total contingent rentals included in operations for each period for which an activity statement is presented?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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?	_____	_____	_____
d. 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> <sup>29</sup>			
9. 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 position.) [NCGA 5 par. 14, as amended by GASB 34 par. 80 and 82 (GASB Cod. sec. 1800.112 and L20.113)]	_____	_____	_____
a. 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)]	_____	_____	_____
10. 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? [Generally accepted]	_____	_____	_____
11. 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)]	_____	_____	_____

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<sup>29</sup> 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>
12. 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. L20.140)]	_____	_____	_____
13. Does the entity make the disclosures required by FASB Statement No. 13, <i>Accounting for Leases</i> , as amended and interpreted; or (GASB Statement No. 62 paragraph 223), including the following: [NCGA 5 par. 27 (GASB Cod. sec. L20.140)]			
a. For all leases, a general description of the lessee's leasing arrangements including, but not limited to			
i. the basis on which contingent rental payments are determined?	_____	_____	_____
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?	_____	_____	_____
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? [GASB 62 par. 223(a) (GASB Cod. sec. L20.128)]	_____	_____	_____
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? [GASB 62 par. 223(c) (GASB Cod. sec. L20.128)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<b>G. Noninterest-Bearing Receivables and Payables</b>			
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? [GASB 62 par. 187 GASB Cod. sec. I30.115)]	_____	_____	_____

**H. Employee Benefit Pension Plans<sup>30</sup>**

**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.

(continued)

<sup>30</sup> See footnote 3.

Yes      No      N/A

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.

### Stand-Alone Financial Statements of Pension Plans

#### *Overview of the Financial Statements*

1. Do the basic financial statements consist of a statement of fiduciary net position and a statement of changes in fiduciary net position? (Those financial statements may be referred to by different terms, such as *a statement of plan net position* and *a statement of changes in plan net position*.)  
[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 position and statement of changes in fiduciary 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. 2200.197–198 and Sp20.110)]

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#### *Statement of Fiduciary Net Position*

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)]

\_\_\_\_\_

\_\_\_\_\_



	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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)]	_____	_____	_____
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 position 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. 2200.197)]	_____	_____	_____
<b>Statement of Changes in Fiduciary Net Position</b>			
8. Is the information in the statement presented in two principal sections: additions and deductions?	_____	_____	_____
9. Is the difference between total additions and deductions reported as the net increase (or decrease) for the year in plan net position? [GASB 25 par. 28 (GASB Cod. sec. Pe5.120); GASB 34 par. 109, as amended (GASB Cod. sec. 2200.177)]	_____	_____	_____
10. Does the additions section of the statement include the information in these four categories as applicable, separately displayed:			
a. Contributions from the employers?	_____	_____	_____
b. Contributions from plan members, including those transmitted by the employers?	_____	_____	_____
c. 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)]	_____	_____	_____
d. Net investment income, including			
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)]	_____	_____	_____
(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)]	_____	_____	_____

## State and Local Governments

		<u>Yes</u>	<u>No</u>	<u>N/A</u>
	(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)]	_____	_____	_____
11.	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)]	_____	_____	_____
<i>Note Disclosures</i>				
12.	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)]	_____	_____	_____
	b. 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)]	_____	_____	_____
	c. provide information about investment valuation, including			
	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)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
ii. 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)]	_____	_____	_____
13. For defined benefit pension and plans, do the notes to the financial statements			
a. 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?	_____	_____	_____
b. 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.)	_____	_____	_____
c. 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?	_____	_____	_____
d. 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?	_____	_____	_____
e. 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?	_____	_____	_____
f. disclose any legal or contractual maximum contribution rates?	_____	_____	_____
g. disclose the required contribution rates of active plan members, in accordance with the funding policy?	_____	_____	_____
h. 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. disclose the balances in the plan's legally required reserves at the reporting date? (Amounts of 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.)	_____	_____	_____

## State and Local Governments

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

Yes      No      N/A

*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)]

- |     |   |       |       |       |
|-----|---|-------|-------|-------|
| 16. | 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.)<br>[GASB 25 par. 33 (GASB Cod. sec. Pe5.125)] | _____ | _____ | _____ |
| 17. | 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)]?<br>[GASB 25 par. 37 and fn 26 (GASB Cod. sec. Pe5.129 and fn 24)]  | _____ | _____ | _____ |
| 18. | Does the schedule of employer contributions present the following information for each of the past six consecutive fiscal years of the plan:  |       |       |       |
|     | a. The dollar amount of the ARC applicable to that year?  | _____ | _____ | _____ |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. The percentage of that ARC that was recognized in the plan's statement of changes in fiduciary net position for that year as contributions from the employers?	_____	_____	_____
19. 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?	_____	_____	_____
a. Is the schedule appropriately titled to indicate that it includes contributions from nonemployer entities? [GASB 25 par. 38 (GASB Cod. sec. Pe5.130)]	_____	_____	_____
20. Do the note disclosures that accompany the RSI include 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)]	_____	_____	_____
21. 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)]	_____	_____	_____

***Pension Plans—Sponsor and Employer Reporting as Trust Funds***<sup>31</sup>

**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.

<sup>31</sup> See footnote 1.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>Overview</i>			
22. 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)]	_____	_____	_____
23. 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]	_____	_____	_____
24. 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?	_____	_____	_____
<i>a.</i> 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)]	_____	_____	_____
<i>Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position</i>			
25. Do the financial statements meet the GASB standards for the display of pension (and other employee benefit) trust funds? (See questions 4–11 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)]	_____	_____	_____
26. If the financial statements include both defined benefit pension plans and postemployment healthcare plans, do the combined statements of fiduciary net position and changes in fiduciary net position subdivide 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>			
27. Are required note disclosures made for defined benefit pension plans? See questions 12 <i>a</i> , 12 <i>c</i> (i), 13, and 14 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 12 <i>a</i> , 12 <i>b</i> (i), 13 <i>c</i> , 13 <i>g</i> , and 14.) [GASB 25 par. 32 and GASB 40 par. 12 (GASB Cod. sec. Pe5.124)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
28. Are required note disclosures made for defined contribution pension plans? See questions 12 <i>b</i> , 12 <i>c</i> (ii), 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 12 <i>b</i> , 12 <i>c</i> (ii), 14, and 15 <i>a</i> .) [GASB 25 par. 41 (GASB Cod. sec. Pe6.104)]	_____	_____	_____
<b><i>Required Supplementary Information for Defined Benefit Pension Plans</i></b>			
29. 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 16–21 in the subsection on employee benefit pension plans in this section of this checklist.)	_____	_____	_____
30. 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 16–17 and questions 20–21 in the subsection on employee benefit pension plans in this section of this checklist.)	_____	_____	_____
<b>I. Employee Other Postemployment Benefit Plans</b>			
<b><i>Defined Benefit OPEB Plans—Stand-Alone Plan Reporting Overview</i></b>			
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 position and a statement of changes in plan net position? [GASB 43 par. 17, as amended by GASB 63 par. 7–8 (GASB Cod. sec. Po50.113)]	_____	_____	_____
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)]	_____	_____	_____



	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>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)]</p>	_____	_____	_____
<b>Statement of Plan Net Position</b>			
<p>4. Are plan assets subdivided into</p> <p style="padding-left: 20px;">a. the major categories of assets held, for example, cash and cash equivalents, receivables, investments, and assets used in plan operations?</p> <p style="padding-left: 20px;">b. the principal components of the receivables and investment categories? [GASB 43 par. 19 (GASB Cod. sec. Po50.115)]</p>	_____	_____	_____
<p>5. Do plan assets exclude allocated insurance contracts? [GASB 43 par. 22 (GASB Cod. sec. Po50.118)]</p> <p style="padding-left: 20px;">a. 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 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 position held in trust for OPEB</i>? [GASB 43 par. 25 (GASB Cod. sec. Po50.121)]</p>	_____	_____	_____
<b>Statement of Changes in Plan Net Position</b>			
<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 position? [GASB 43 par. 26 (GASB Cod. sec. Po50.122)]</p>	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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 43 par. 27 (GASB Cod. sec. Po50.123)]	_____	_____	_____
<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 43 par. 27 fn 7 (GASB Cod. sec. Po50 fn 7)]			
(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)]	_____	_____	_____
<i>ii.</i> 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			
<i>a.</i> 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)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. total administrative expense? [GASB 43 par. 28 (GASB Cod. sec. Po50.124)]	_____	_____	_____
<b>Note Disclosures</b>			
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			
a. 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?	_____	_____	_____
b. 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.)	_____	_____	_____
c. 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?	_____	_____	_____
d. 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?	_____	_____	_____
e. 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?	_____	_____	_____
f. disclose legal or contractual maximum contribution rates disclosed, if applicable?	_____	_____	_____
g. 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?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p><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)]</p>	_____	_____	_____
15. For OPEB plans that are administered as trusts or equivalent arrangements, do the notes to the financial statements also			
<p><i>a.</i> disclose the balances in the plan’s legally required reserves at the reporting date? (Amounts of 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.)</p>	_____	_____	_____
<p><i>b.</i> briefly describe the purpose of each reserve and designation and whether the reserve is fully funded?</p>	_____	_____	_____
<p><i>c.</i> 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?</p>	_____	_____	_____
<p><i>d.</i> 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:</p>			
<p><i>i.</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?</p>	_____	_____	_____
<p><i>ii.</i> 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?</p>	_____	_____	_____
<p><i>iii.</i> 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.)</p>	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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?	_____	_____	_____
(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)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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)]	_____	_____	_____
<b><i>Required Supplementary Information for OPEB Plans That Are Administered as Trusts or Equivalent Arrangements</i></b>			
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)]	_____	_____	_____
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			
<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 plan 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)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<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)]	_____	_____	_____
<i>Financial Statements and Note Disclosures</i>			
26. Do the statement of fiduciary net position and statement of changes in fiduciary 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, 14a, 14h, 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)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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)]	_____	_____	_____
<b>Required Supplementary Information</b>			
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 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)]	_____	_____	_____
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)]	_____	_____	_____
<b>Defined Contribution OPEB Plans</b>			
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:			
a. A plan description, including			
i. identification of the plan as a defined contribution plan and disclosure of the number of participating employers and other contributing entities?	_____	_____	_____



	<u>Yes</u>	<u>No</u>	<u>N/A</u>
ii. classes of employees covered (for example, general employees, public safety employees) and the total current membership?	_____	_____	_____
iii. brief description of plan provisions and the authority under which they are established or may be amended?	_____	_____	_____
iv. 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?	_____	_____	_____
b. A summary of significant accounting policies, including the basis of accounting, fair value of plan assets (unless plan assets are reported at fair value), and a brief description of how the fair value is determined?	_____	_____	_____
c. Identification of concentrations in investments (other than those issued or guaranteed by the U.S. government 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 position?	_____	_____	_____
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)]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>Assets and Liabilities</i>			
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)]	_____	_____	_____
<i>Assets and Liabilities—Sole and Agent Defined Benefit Plans</i>			
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 position? [GASB 27 par. 16, as amended (GASB Cod. sec. P20.113)]	_____	_____	_____
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)]	_____	_____	_____
<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:			
<i>a.</i> 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?	_____	_____	_____

		<u>Yes</u>	<u>No</u>	<u>N/A</u>
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)]	_____	_____	_____
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?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(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?	_____	_____	_____
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 Plans<sup>32</sup>***

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?	_____	_____	_____

<sup>32</sup> 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>
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 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.

[GASB 27 fn 15 and 17, as amended by GASB 50 par. 8 and fn 4 (GASB Cod. sec. P20 fn 16 and 19)]

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.

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)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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)]	_____	_____	_____

### K. Postemployment Benefits Other Than Pensions—Employer Reporting<sup>33</sup>

#### 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

*(continued)*

<sup>33</sup> 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.

Yes      No      N/A

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?<br>[GASB 45 par. 20–21, 23, and 29 (GASB Cod. sec. P50.118–.119, .121, and .127)] | _____ | _____ | _____ |
|----|--|-------|-------|-------|

**Note Disclosures—Defined Benefit Plans**

- |    |   |       |       |       |
|----|---|-------|-------|-------|
| 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?<br>[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?<br>[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.)  | _____ | _____ | _____ |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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?	_____	_____	_____
(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.) <sup>34</sup>	_____	_____	_____

<sup>34</sup> 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>
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			
(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 disclosure 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>
<p>(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.)</p>	_____	_____	_____
<p>(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)]</p>	_____	_____	_____
<p>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)]</p>	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>Note Disclosures—Insured Benefits</i> <sup>35</sup>			
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)]	_____	_____	_____

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<sup>35</sup> 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]).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<b>Required Supplementary Information<sup>36</sup></b>			
<b><i>Sole and Agent Employers<sup>37</sup></i></b>			
8. Do sole and agent employers present as RSI the following information for the most recent actuarial valuation and the two preceding valuations: <sup>38</sup>			
<i>a.</i> Information about the funding progress of the plan, including, for each valuation, each of the elements of information listed in question 4c(iv)?	_____	_____	_____
<i>b.</i> 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)]	_____	_____	_____
<b><i>Cost-Sharing Employers</i></b>			
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)]	_____	_____	_____

<sup>36</sup> 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]).

<sup>37</sup> 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]).

<sup>38</sup> 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>
<b>L. Pollution Remediation Obligations</b>			
<i>Assets, Liabilities, Revenues, and Expenditures/Expenses</i>			
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)]	_____	_____	_____
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)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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)]	_____	_____	_____
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)]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<b>Basic Financial Statements</b>			
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)]	_____	_____	_____
2. Does the pool report include an MD&A; a statement of net position; a statement of revenues, expenses, and 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, as amended by GASB 63 par. 8 (GASB Cod. sec. Po20.114, Sp20.107, and Ut5.104)]	_____	_____	_____
3. 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? <sup>39</sup> [GASB 10 par. 21 (GASB Cod. sec. Po20.118)]	_____	_____	_____
4. 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 position? [GASB 10 par. 26 (GASB Cod. sec. Po20.123)]	_____	_____	_____
5. If no accrual is made for an insured event, or if an exposure to loss exists in excess of the accrual, is a loss contingency disclosed if there is at least a reasonable possibility that a loss or an additional loss may 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)]	_____	_____	_____
<b>Entities that have implemented GASB Statement No. 65 may omit question 6.</b>			
6. 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)]	_____	_____	_____

<sup>39</sup> 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>
<b>Entities that have not implemented GASB Statement No. 65 may omit question 7.</b>			
7. Are acquisition costs recognized as outflow of resources in the period incurred? [GASB 10 par. 29 as amended by GASB 65 par. 20]	_____	_____	_____
8. 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)]	_____	_____	_____
9. 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)]	_____	_____	_____
<b>Entities that have implemented GASB Statement No. 65 may omit question 10.</b>			
10. Are premium deficiencies in excess of unamortized acquisition costs reported as a premium deficiency liability and as a premium deficiency expense?	_____	_____	_____
11. 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)]	_____	_____	_____
12. 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?	_____	_____	_____
13. 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?	_____	_____	_____
14. 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?	_____	_____	_____
15. Are receivables and payables from the same reinsurer, including amounts withheld, netted? [GASB 10 par. 37 (GASB Cod. sec. Po20.134)]	_____	_____	_____
16. 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)]	_____	_____	_____
17. To the extent that a reinsurance or excess insurance contract does not, despite its form, provide for indemnification of the pool by the reinsurer against loss or liability, is the premium paid less the premium to be retained by the reinsurer reported as a deposit (or as a liability, if a net credit)? [GASB 10 par. 39 (GASB Cod. sec. Po20.136)]	_____	_____	_____



	<u>Yes</u>	<u>No</u>	<u>N/A</u>
18. 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)]	_____	_____	_____
19. Are capitalization contributions received reported as a liability or as unearned premiums, depending on the probability that the contributions will be returned? [GASBI 4 par. 11–12 (GASB Cod. sec. Po20.138–.139)]	_____	_____	_____
20. Concerning investments:			
<i>a.</i> 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]	_____	_____	_____
<i>b.</i> Is the amortization of purchased premiums or discounts on mortgage loans, and other related charges or credits, charged or credited to investment income?	_____	_____	_____
<i>c.</i> 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)]	_____	_____	_____
<i>d.</i> Is depreciation and other related charges or credits on real estate investments charged or credited to investment income?	_____	_____	_____
<i>e.</i> 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)]	_____	_____	_____
<i>f.</i> 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)]	_____	_____	_____
<i>g.</i> Are loan origination fees and direct loan origination costs accounted for as prescribed in GASB Statement No. 62? [GASB 62 par. 434–436 (GASB Cod. sec. 30.105–.107)]	_____	_____	_____
<i>h.</i> Are loan commitment fees and costs accounted for as prescribed in GASB Statement No. 62? [GASB 62 par. 437–438 (GASB Cod. sec. 30.108–.109)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p><i>i.</i> 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 position 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)]</p>	_____	_____	_____
21. Concerning real estate:			
<p><i>a.</i> Is such real estate classified either as an investment or as real estate used in the pool's operations, depending on its predominant use?</p>	_____	_____	_____
<p><i>b.</i> Are depreciation and other real estate operating costs classified as investment expenses or operating expenses consistent with the classification in the statement of net position of the related asset?</p>	_____	_____	_____
<p><i>c.</i> 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)]</p>	_____	_____	_____
22. Does the pool disclose the following matters in the notes to the financial statements:			
<p><i>a.</i> A description of the risk transfer or pooling agreement, including the rights and responsibilities of the pool and the pool participants?</p>	_____	_____	_____
<p><i>b.</i> A brief description of the number and types of entities participating in the pool?</p>	_____	_____	_____
<p><i>c.</i> The basis for estimating the liabilities for unpaid claims and claim adjustment expenses?</p>	_____	_____	_____
<p><i>d.</i> 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?</p>	_____	_____	_____
<b>Entities that have implemented GASB Statement No. 65 may omit question 22e.</b>			
<p><i>e.</i> The nature of acquisition costs capitalized, the method of amortizing those costs, and the amount of those costs amortized for the period?</p>	_____	_____	_____
<p><i>f.</i> 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)]</p>	_____	_____	_____
<p><i>g.</i> 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)]</p>	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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)]	_____	_____	_____
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 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.) [GASB 10 par. 26 and 49 (GASB Cod. sec. Po20.123 and .148)]	_____	_____	_____

**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)]

If the 10 years of information about claims liabilities and claim adjustment expenses is not available (see question 22a), 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,

*(continued)*

Yes      No      N/A

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)]

23. 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 22a(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 22a(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 22a(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 22a(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 22a(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 22<i>i</i>? [GASB 30 par. 7 (GASB Cod. sec. Po20.149)]</p>	_____	_____	_____
<b>N. Risk Financing and Related Financing Issues—Entities Other Than Risk Pools<sup>40</sup></b>			
<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> <p><b>Entities that have not implemented GASB Statement No. 66 may omit question 2.</b></p>	_____	_____	_____
<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?<sup>41</sup> [GASB 10 par. 63 (GASB Cod. sec. C50.124)]</p> <p><b>Entities that have implemented GASB Statement No. 66 may omit question 3.</b></p>	_____	_____	_____
<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>	_____	_____	_____

<sup>40</sup> 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.

<sup>41</sup> 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>
4. If the entity uses an internal service fund to account for its risk financing activities			
<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 position in the internal service fund?	_____	_____	_____
<i>e.</i> is 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 net position 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. C50.129)]	_____	_____	_____
<b>Entities that have not implemented GASB Statement No. 66 may omit question 5.</b>			
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 (GASB Cod. sec. C50.126), 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 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, as amended by GASB 63 par. 7–8 (GASB Cod. sec. C50.122)]	_____	_____	_____

	<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)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
d. If it is not probable that a capitalization contribution will be returned			
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)]	_____	_____	_____
<b><i>Retrospectively Rated Insurance Policies</i></b>			
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:			
<i>a.</i> 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)?	_____	_____	_____
<i>b.</i> 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?	_____	_____	_____
<i>c.</i> 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:			
<i>a.</i> 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?	_____	_____	_____
<i>b.</i> 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?	_____	_____	_____
<i>c.</i> 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 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.)	_____	_____	_____
<i>d.</i> 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>i.</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)]	_____	_____	_____
<b>O. Government Combinations and Disposals of Government Operations<sup>42</sup></b>				
<b>Entities that have not implemented GASB Statement No. 69 may omit questions 1–19.</b>				
1.	Has the government entered into a transactions that meets the definition of a			
a.	<i>government merger</i> wherein two or more governmental entities cease to exist as separate entities and are combined to form one or more new governments; or are absorbed into an existing government?	_____	_____	_____
b.	<i>government acquisition</i> wherein a governmental entity acquires another entity, or the operations of another entity, in exchange for significant consideration?	_____	_____	_____
c.	<i>transfer of operations</i> where the combination involves the operations of a governmental or nongovernmental entity, rather than a combination of legally separate entities, in which no significant consideration is exchanged? [GASB 69 par. 10–12]	_____	_____	_____
<b>Government Mergers</b>				
2.	If a <i>new government</i> results from the merger, has the new government			
a.	recognized the assets, deferred outflows of resources, liabilities, or deferred inflows of resources of the merging entities as of the merger date?	_____	_____	_____
b.	measured the assets, deferred outflows of resources, liabilities, or deferred inflows of resources at the carrying values as reported in the separate financial statements of the merging entities?	_____	_____	_____
c.	evaluated capital assets for impairment for which disposal is planned or the manner or duration of use of use will change?	_____	_____	_____

<sup>42</sup> In January 2013, GASB issued GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. GASB Statement No. 69 establishes accounting and financial reporting standards for government combinations including mergers, acquisitions, transfers of operations, and disposals of operations. The requirements of GASB Statement No. 69 are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. Earlier application is encouraged.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
3. In a <i>continuing government merger</i> , has the continuing government			
a. recognized the combined assets, deferred outflows of resources, liabilities, and deferred inflows of resources, results of operations, and cash flows, if applicable, of the merging entities for the reporting period in which the combination occurs as though the entities had been combined at the beginning of the continuing government’s reporting period?	_____	_____	_____
b. measured the assets, deferred outflows of resources, liabilities, or deferred inflows of resources as of the merger date at the carrying values as reported in the separate financial statements of the merging entities?	_____	_____	_____
c. refrained from recognizing additional assets, deferred outflows of resources, liabilities, and deferred inflows of resources that authoritative guidance for state and local governments does not require or permit the merging governments to recognize?	_____	_____	_____
d. evaluated capital assets for impairment for which disposal is planned or the manner or duration of use of use will change?	_____	_____	_____
e. eliminated transactions between the merging entities that occurred before the combination in the combination process? [GASB 69 par. 13–27]	_____	_____	_____

**Government Acquisitions**

4. Except as noted subsequently, has the <i>acquiring government</i> measured the acquired assets, deferred outflows of resources, liabilities, or deferred inflows of resources at acquisition value (market-based entry price) as of the acquisition date?	_____	_____	_____
5. Has the <i>acquiring government</i> measured assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with employment benefit arrangements, municipal solid waste landfill closure and postclosure care costs, pollution remediation obligations, and investments (including derivatives) in accordance with reporting requirements of state and local governments that are applicable to those transactions?	_____	_____	_____
6. Has the acquiring government not recognized deferred outflows of resources (or goodwill) from previous acquisition transactions in which the consideration provided exceeded the net position acquired?	_____	_____	_____
7. If the consideration provided exceeds the net position acquired, has the acquiring government reported the difference as a deferred outflow of resources?	_____	_____	_____
8. If the consideration provided is less than the net position acquired, has the acquiring government eliminated the excess net position acquired by reducing the acquisition values assigned to the noncurrent assets (other than financial assets) that are acquired?	_____	_____	_____
9. If the allocation in question 6 reduces the acquisition value of the acquired noncurrent assets (other than financial assets) to zero, has the remainder of the excess been recognized as a special item in the flows statements?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
10. If the seller intends to accept a lower price to provide economic aid to the acquiring government without directly receiving equal value in exchange, has the acquiring government recognized a contribution?	_____	_____	_____
11. Has the acquiring government recognized acquisition costs (for example, fees for legal, accounting, valuation or consulting services) as expenses or expenditures in the period in which the costs are incurred or the services are received? [GASB 69 par. 29–42]	_____	_____	_____
<i>Government Transfers of Operations</i>			
12. Has the continuing government reported a transfer of operations in the reporting period in which it occurs or if the transfer of operations results in the formation of a new government, does the initial reporting period of the new government begin at the effective transfer date?	_____	_____	_____
13. Has the transferee government recognized the carrying values of assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the operations of the transferor government or nongovernmental entity as of the effective transfer date?	_____	_____	_____
14. If the assets, deferred outflows of resources, liabilities, or deferred inflows of resources of one or more of the transferor entities' operations are not recognized and measured in conformity with authoritative guidance for state and local governments, have those elements been adjusted to bring them into conformity with that guidance before the transferee government recognizes the assets, deferred outflows of resources, liabilities, and deferred inflows of resources related to a transferred operation?	_____	_____	_____
15. Has the transferee government evaluated capital assets for impairment for which disposal is planned or the manner or duration of use of use will change? [GASB 69 par. 46–50]	_____	_____	_____
<i>Disposal of Government Operations</i>			
16. Has a disposing government recognized a gain or loss on disposal of operations as a special item in the period in which the disposal occurs, based on either the effective transfer date of a transfer of operations or the date of sale for operations that are sold?	_____	_____	_____
17. Does the amount of gain or loss on the disposal of operations exclude adjustments and costs associated with the normal operating activities of the operation up to the measurement date?	_____	_____	_____
18. Has the disposing government included only those costs that are directly associated with the disposal of operations when determining the amount of the gain or loss to report? [GASB 69 par. 51– 53]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>Disclosures</i>			
19. For each <i>government combination</i> , has the government disclosed the following information in the notes to the financial statements:			
<i>a.</i> A brief description of the government combination, including identification of the entities involved in the combination and whether the participating entities were included within the same financial reporting entity?	_____	_____	_____
<i>b.</i> The date of the combination?	_____	_____	_____
<i>c.</i> A brief description of the primary reasons for the combination?	_____	_____	_____
20. For <i>new or continuing governments</i> , is the following information disclosed as of the merger date or the effective transfer date:			
<i>a.</i> The total assets (distinguishing between current assets, capital assets, and other assets); total deferred outflows of resources; total liabilities (distinguishing between current and long-term amounts); and total deferred inflows of resources?	_____	_____	_____
<i>b.</i> A brief description of the nature and amount of significant adjustments made to bring into conformity the individual accounting policies or to adjust for impairment of capital assets resulting from the merger or transfer?	_____	_____	_____
<i>c.</i> The initial amounts recognized by the new or continuing government, if different from the values in (a) and the differences that arise from modifying the carrying values in (a) by the adjustments in (b)?	_____	_____	_____
21. For <i>government acquisitions</i> , in the period in which an acquisition occurs, has the acquiring government disclosed the following information:			
<i>a.</i> A brief description of the consideration provided?	_____	_____	_____
<i>b.</i> The total amount of net position acquired as of the date of acquisition?	_____	_____	_____
<i>c.</i> A brief description of contingent consideration arrangements, including the basis for determining the amount of payments that are contingent?	_____	_____	_____
22. For <i>disposals of government operations</i> , in the period in which operations were transferred or sold, has the disposing government			
<i>a.</i> provided a brief description of the facts and circumstances leading to the disposal of those operations?	_____	_____	_____
<i>b.</i> disclosed total expenses, total revenues (distinguishing between operating and nonoperating), and total government fund revenues and expenditures, if not separately presented in the financial statements? [GASB 69 par. 55–58]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<b>P. Sales and Pledges of Receivables and Future Revenues</b>			
<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:			
<i>a.</i> Gain or loss by the transferor in separately issued financial statements?	_____	_____	_____
<i>b.</i> Revenue or expenditure or expense, or both, by the transferee in separately issued financial statements?	_____	_____	_____
<i>c.</i> Transfers or subsidies in the financial statements of the reporting entity?	_____	_____	_____
<i>d.</i> For sales of future revenues, a deferred charge by the transferee and amortized over the life of the agreement?	_____	_____	_____
<b>Entities that have implemented GASB Statement No. 65 may omit question 4e.</b>			
<i>e.</i> 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)]	_____	_____	_____
<b>Entities that have not implemented GASB Statement No. 65 may omit questions 4f–g.</b>			
<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?	_____	_____	_____
<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]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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:			
<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?	_____	_____	_____
<i>b.</i> For the transferee, as a liability for its obligation to remit residuals? [GASB 48 par. 17 (GASB Cod. sec. S20.114)]	_____	_____	_____
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)]	_____	_____	_____
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:			
<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?	_____	_____	_____
<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?	_____	_____	_____
<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)]	_____	_____	_____

**Note Disclosures**

8. For each period in which secured debt remains outstanding, do the notes to the financial statements of the pledging government disclose:			
<i>a.</i> Identification of the specific revenue pledged and the approximate amount of the pledge?	_____	_____	_____
<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)]	_____	_____	_____

		<u>Yes</u>	<u>No</u>	<u>N/A</u>
9.	In the year of sales of future revenues, do the notes to the financial statements of the selling government disclose			
a.	identification of the specific revenue sold, including the approximate amount sold, and the significant assumptions used in determining the approximate amount?	_____	_____	_____
b.	the period to which the sale applies?	_____	_____	_____
c.	the relationship of the sold amount to the total for that specific revenue, if estimable?	_____	_____	_____
d.	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)]	_____	_____	_____
<b>Q.</b>	<b>Service Concession Arrangements</b>			
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?	_____	_____	_____
4.	For each period where a guarantee exists, have the identification, duration, and significant contract terms of guarantees and commitments been disclosed? [GASB 61 par .16-.17 (GASB Cod. sec. S30.112-.113)]	_____	_____	_____



**R. Nonexchange Financial Guarantees<sup>43</sup>**

**Entities that have not implemented GASB Statement No. 70 may omit questions 1–11.**

***Recognition and Measurement When It Is More Likely Than Not That a Payment Will Be Required***

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
1. Has a liability and an expense (or a fund liability and expenditure) been recognized when qualitative factors and historical data, as described in GASB Statement No. 70, <i>Accounting and Financial Reporting for Nonexchange Financial Guarantees</i> , paragraphs 7–8, indicate it is more likely than not that a government will be required to make a payment related to the nonexchange financial guarantees it extended for liabilities of other entities or individuals?	_____	_____	_____
2. Is the liability recognized at (a) the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee using the economic resources measurement focus or (b) to the extent the liability is normally expected to be liquidated with expendable available financial resources under the current financial resources measurement focus, as required?	_____	_____	_____
3. If there is no best estimate of the future outflows expected to be incurred, but a range of estimated future outflows can be established in which no amount within that range appears to be a better estimate than any other amount, has the discounted present value of the minimum amount in that range been recognized?	_____	_____	_____
4. Under both the economic resources measurement focus and the current financial resources measurement focus, if a government is required to repay a guarantor for nonexchange financial guarantee payments made on the government’s obligations, has the government reclassified that portion of its previously recognized liability for the guaranteed obligation as a liability to the guarantor? [GASB 70 par. 9–10]	_____	_____	_____

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<sup>43</sup> In April 2013, GASB issued GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range. The statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to report the obligation until legally released as an obligor and also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. The statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units. The statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees and requires new information to be disclosed by governments that receive nonexchange financial guarantees. The provisions of GASB Statement No. 70 are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for disclosures related to cumulative amounts paid or received in relation to a nonexchange financial guarantee, the provisions of this statement are required to be applied retroactively. Disclosures related to cumulative amounts paid or received in relation to a nonexchange financial guarantee may be applied prospectively.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>Governments Issuing a Guaranteed Obligation</i>			
5. Has the government that issued the guaranteed obligation continued to recognize its liability until that portion of the liability is legally released, such as when a plan of adjustment is confirmed by the court in the case of bankruptcy?	_____	_____	_____
6. When a government that has issued an obligation that has received a nonexchange financial guarantee is legally released as an obligor from the obligation and from any liability to the guarantor, has the government recognized revenue to the extent of the reduction of its guaranteed liabilities?	_____	_____	_____
7. When a government that extends a nonexchange financial guarantee recognizes a liability for the guarantee has the government that issued the guaranteed obligation recognized a receivable equal to the amount of the liability recognized by the government that extended the guarantee, only if the government that issued the guaranteed obligation is (a) a blended component unit of that government, (b) a primary government that includes the government that extended the guarantee as a blended component unit within its reporting entity, or (c) within the same reporting entity and both parties are blended component units of the same primary government? [GASB 70 par. 11–12]	_____	_____	_____
<i>Disclosures</i>			
<i>Governments That Extend Nonexchange Financial Guarantees</i>			
8. Has a government that extends nonexchange financial guarantees disclosed the following information, by type of guarantee, for all nonexchange financial guarantees, regardless of the likelihood of a payment being required:			
a. A description of the nonexchange guarantee including the legal authority and limits for extending the guarantees and types of obligations guaranteed; the relationship of the government to the issuer or issuers of the obligations that are guaranteed; the length of time of the guarantees; and arrangements for recovering payments from the issuer or issuers of the obligations that are guaranteed?	_____	_____	_____
b. The total amount of all guarantees extended that are outstanding at the reporting date?	_____	_____	_____
9. If a government that recognizes a nonexchange financial guarantee liability, or has made payments during the reporting period on nonexchange financial guarantees extended, disclosed the following information:			
a. A brief description of the timing of recognition and measurement of the liabilities and information about the changes in recognized guarantee liabilities, including beginning-of-period balances; increases, including initial recognition and adjustments increasing estimates; guarantee payments made and adjustments decreasing estimates; and end-of-period balances?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. Cumulative amounts of indemnification payments that have been made on guarantees extended that are outstanding at the reporting date?	_____	_____	_____
c. Amounts expected to be recovered from indemnification payments that have been made through the reporting date? [GASB 70 par. 14–15]	_____	_____	_____
<b><i>Governments That Issue Guaranteed Obligations</i></b>			
10. Has a government that has one or more outstanding obligations at the reporting date that have been guaranteed by another entity as part of a nonexchange transaction disclosed the following information about the guarantee(s) by type of guarantee:			
a. The name of the entity providing the guarantee?	_____	_____	_____
b. The amount of the guarantee?	_____	_____	_____
c. The length of time of the guarantee?	_____	_____	_____
d. The amount paid, if any, by the entity extending the guarantee on obligations of the government during the current reporting period?	_____	_____	_____
e. The cumulative amount paid by the entity extending the guarantee on outstanding obligations of the government?	_____	_____	_____
f. A description of requirements to repay the entity extending the guarantee?	_____	_____	_____
g. The outstanding amounts, if any, required to be repaid to the entity providing the guarantee?	_____	_____	_____
11. If a government has issued a guaranteed obligation for which payments have been made during the reporting period by the entity that extended the guarantee and that guaranteed obligation is no longer outstanding at the end of the reporting period, regardless of whether the government has any other outstanding guaranteed obligations at the end of the reporting period, has the government disclosed			
a. the amount paid by the entity that extended the guarantee on obligations of the government during the current reporting period?	_____	_____	_____
b. the cumulative amount paid by the entity that extended the guarantee on outstanding obligations of the government?	_____	_____	_____
c. a description of requirements to repay the entity that extended the guarantee?	_____	_____	_____
d. the outstanding amounts, if any, required to be repaid to the entity that provided the guarantee? [GASB 70 par. 16–17]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<b>S. Special Assessments</b>			
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)]	_____	_____	_____
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 position? [GASB 6 par. 17; GASB 34 par. 82, as amended by GASB 63 par. 8 (GASB Cod. sec. S40.116a)]	_____	_____	_____
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)]	_____	_____	_____
<i>a.</i> 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)]	_____	_____	_____
<i>b.</i> 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)]	_____	_____	_____
<i>c.</i> 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 position? [GASB 6 par. 19; GASB 34 par. 80, as amended by GASB 63 par. 8 (GASB Cod. sec. S40.119)]	_____	_____	_____
<i>d.</i> 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)]	_____	_____	_____
<i>e.</i> 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)]	_____	_____	_____

		<u>Yes</u>	<u>No</u>	<u>N/A</u>
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?	_____	_____	_____
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 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)]	_____	_____	_____

		<u>Yes</u>	<u>No</u>	<u>N/A</u>
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 position? [GASB 6 par. 23, as amended (GASB Cod. sec. S40.116b and .123)]	_____	_____	_____
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)]	_____	_____	_____
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)]	_____	_____	_____
<b>T. Termination Benefits</b>				
<i>Assets, Liabilities, Revenues, and Expenditures/Expenses</i>				
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)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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)]	_____	_____	_____
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)]	_____	_____	_____
<b>Note Disclosures</b>			
8. Do the notes to the financial statements disclose the following:			
<i>a.</i> 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)]	_____	_____	_____
<i>b.</i> 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)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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)]	_____	_____	_____

#### U. 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?	_____	_____	_____



	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>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)]</p>	_____	_____	_____
<p>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)]</p>	_____	_____	_____

**Note Disclosures**

<p>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</p>			
<p>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?</p>	_____	_____	_____
<p>b. the possible effects of such conditions and events?</p>	_____	_____	_____
<p>c. the entity’s officials’ evaluation of the significance of those conditions and events and any mitigating factors?</p>	_____	_____	_____
<p>d. possible discontinuance of operations?</p>	_____	_____	_____
<p>e. government officials’ plans including relevant prospective financial information?</p>	_____	_____	_____
<p>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)]</p>	_____	_____	_____

**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 position or fund balance, as appropriate 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.

**V. Chapter 9 Bankruptcies**

<p>1. Governments that have filed for bankruptcy should disclose the following:</p>			
<p>a. Pertinent conditions and events giving rise to the petition for bankruptcy.</p>	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>b.</i> The expected or known effects of such conditions and events, including			
<i>i.</i> principal categories of the claims subject to compromise or that already have been adjusted.	_____	_____	_____
<i>ii.</i> principal changes in terms and the major features of settlement.	_____	_____	_____
<i>iii.</i> 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.	_____	_____	_____
<i>iv.</i> contingent claims not subject to reasonable estimation based on the provisions of NCGA Statement No. 4.	_____	_____	_____
<i>c.</i> 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.	_____	_____	_____
<i>d.</i> Possibility of termination of the government or any plans to terminate the government, as appropriate.	_____	_____	_____
<i>e.</i> 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?<br>[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?<br>[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?<br>[GASB 34 par. 8 (GASB Cod. sec. 2200.106)]  | _____ | _____ | _____ |
| 2. Does the MD&A  |       |       |       |
| <i>a.</i> discuss the current-year results in comparison with the prior year, with emphasis on the current year? <sup>44</sup>                      | _____ | _____ | _____ |
| <i>b.</i> discuss the positive and negative aspects of the comparison with the prior year?<br>[GASB 34 par. 9 (GASB Cod. sec. 2200.107)]            | _____ | _____ | _____ |
| <i>c.</i> focus on the primary government and distinguish between information pertaining to the primary government and that of its component units? | _____ | _____ | _____ |

<sup>44</sup> 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 14.75).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>d.</i> 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?	_____	_____	_____
<i>e.</i> 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:			
<i>a.</i> 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.)	_____	_____	_____
<i>b.</i> Condensed financial information derived from government-wide financial statements comparing the current year to the prior year, including the following:			
<i>i.</i> Total assets, distinguishing between capital and other assets?	_____	_____	_____
<i>ii.</i> Total liabilities, distinguishing between long-term liabilities and other liabilities?	_____	_____	_____
<i>iii.</i> Total net position, distinguishing among amounts invested in capital assets, net of related debt; restricted amounts; and unrestricted amounts?	_____	_____	_____
<i>iv.</i> Program revenues, by major source?	_____	_____	_____
<i>v.</i> General revenues, by major source?	_____	_____	_____
<i>vi.</i> Total revenues?	_____	_____	_____
<i>vii.</i> Program expenses, at a minimum by function?	_____	_____	_____
<i>viii.</i> Total expenses?	_____	_____	_____
<i>ix.</i> Excess (deficiency) before contributions to term and permanent endowments or permanent fund principal, special and extraordinary items, and transfers?	_____	_____	_____
<i>x.</i> Contributions?	_____	_____	_____
<i>xi.</i> Special and extraordinary items?	_____	_____	_____
<i>xii.</i> Transfers?	_____	_____	_____
<i>xiii.</i> Change in net position?	_____	_____	_____
<i>xiv.</i> Ending net position?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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 position and whether restrictions, commitments, or other limitations significantly affect the availability of fund resources for future use?	_____	_____	_____
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)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p><i>i.</i> A description of subsequent events that are nonrecognized as of the date of the auditor’s 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)]</p>	_____	_____	_____
<p><i>j.</i> 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&amp;A depending on facts and circumstances? [GASB 56 par. 16 and 19 (GASB Cod. sec. 2250.114 and .117 and 2300.107)]</p>	_____	_____	_____
<p>4. Is MD&amp;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&amp;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)]</p>	_____	_____	_____

**B. Budgetary Comparison Schedules**

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**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 cannot 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.

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<p>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)]</p>	_____	_____	_____
<p><i>a.</i> 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)]</p>	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p><i>b.</i> 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 14.73]</p>	_____	_____	_____
2. Does the budgetary comparison schedule present			
<i>a.</i> the original appropriated budgets for the reporting period?	_____	_____	_____
<i>b.</i> the final appropriated budgets for the reporting period?	_____	_____	_____
<i>c.</i> actual inflows, outflows, and balances, stated on the government's budgetary basis? [GASB 34 par. 130 (GASB Cod. sec. 2200.182 and 2400.102)]	_____	_____	_____
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)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<b>C. Modified Approach for Eligible Infrastructure Assets</b>			
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: <sup>45</sup>			
<i>a.</i> 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?	_____	_____	_____
<i>b.</i> 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)]	_____	_____	_____
<i>c.</i> 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:			
<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, "Specialized Topics."

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<sup>45</sup> 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]).

Yes      No      N/A

**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, "Specialized Topics."

**F. Public Entity Risk Pools**

See the subsection on public entity risk pools in section VII, "Specialized Topics."

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## Part 2

# *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. 122–127, the project is near completion. As of the date of this checklist, the only SAS that remains to be clarified is SAS No. 65, *The Auditor's Consideration of the Internal Audit Function in an Audit of Financial Statements* (AICPA, *Professional Standards*, AU-C sec. 610).

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. 122–127 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.

As part of the clarity project, AU section numbers have been renumbered based on equivalent ISAs. Guidance is located in "AU-C" section numbers instead of "AU" section numbers. "AU-C" is a temporary identifier being used to avoid confusion with references to extant "AU" sections, which will remain in *Professional Standards* through 2013. The "AU-C" identifier will revert to "AU" in 2014, by which time substantially all engagements for which the extant standards were still effective are expected to be com-

*(continued)*

pleted. 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 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.

.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 in part 3, "Auditors' Reports on Audits Performed in Accordance With *Government Auditing Standards* and Circular A-133 Checklist").
- restricted-use reports (see AU-C section 905, *Alert That Restricts the Use of the Auditor's Written Communication* [AICPA, *Professional Standards*]).
- auditor's reports on special-purpose regulatory presentations (see paragraph 14.92 of the Audit and Accounting Guide *State and Local Governments*).
- auditor's reports on summary financial information—*popular reports* (see paragraphs 14.93–102 and example A-17 in chapter 14 in the Audit and Accounting Guide *State and Local Governments*).
- 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, "Financial Statements Prepared in Accordance With a Special Purpose Framework," in the Audit and Accounting Guide *State and Local Governments* and the AICPA Practice Aid *Applying OCBOA in State and Local Governmental Financial Statements* [product no. APAOCBO12P]).

.02 Explanation of References:

AAG-SLV = AICPA Audit and Accounting Guide *State and Local Governments* (as of March 1, 2013)

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

.03 Checklist Questionnaire:

Yes      No      N/A

### Basic Financial Statements

#### Practice Tip

The auditor's report on governmental financial statements generally is based on *opinion units*. 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 *aggregate discretely presented component unit and remaining fund information* opinion unit.

(continued)

Yes      No      N/A

AU-C section 700, *Forming an Opinion and Reporting on Financial Statements* (AICPA, *Professional Standards*), requires that the auditor either express an opinion regarding the financial statements, as a whole, or state that an opinion cannot be expressed, in the auditor's report. In reporting on a government's basic financial statements, the auditor should either express an opinion regarding the financial statements for each opinion unit or state that an opinion on one or more opinion units cannot be expressed in the auditor's report. The auditor may express an unmodified 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.  
[AAG-SLV 14.04-.08]

**Standard Auditor's Report**

*Title*

1. Does the report have a title that includes the word "independent" to clearly indicate that it is the report of an independent auditor? \_\_\_\_\_  
[AU-C 700.23 and .A18]

*Addressee*

2. Is the report addressed to those for whom the report is prepared, typically the entity whose financial statements are being audited or those charged with its governance as required by the circumstances of the engagement? \_\_\_\_\_  
[AU-C 700.24 and .A19]

*Introductory Paragraph*

3. Does the introductory paragraph of the report
- a. identify the entity whose financial statements have been audited and state that the financial statements have been audited? \_\_\_\_\_
  - b. refer to each opinion unit covered by the report, even though some of those opinion units do not have distinct or separate financial statements? (The reference in the introductory paragraph to the financial statements for the aggregate remaining fund information is meant to refer to the aggregate of the financial statements for the funds and fund types that comprise that opinion unit.) \_\_\_\_\_  
[AAG-SLV 14.14]
  - c. identify the title of each statement (and the related notes thereto [AU-C 700.A22]) that the financial statements comprise, which may be achieved by referencing the table of contents? \_\_\_\_\_  
[AU-C 700.25 and .A22-.A23; AAG-SLV 14.14]
  - d. refer 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?<sup>1</sup> \_\_\_\_\_  
[AAG-SLV 14.16]
  - e. specify the date or period covered by each financial statement that the financial statements comprise? \_\_\_\_\_  
[AU-C 700.25 and .A20-.A23]

<sup>1</sup> In cases when there are different types of opinions, the illustrative reports in chapter 14, "Audit Reporting," of the Audit and Accounting Guide *State and Local Governments* includes a table to illustrate an additional way for the auditor to communicate that more than one type of opinion is being issued. The table's inclusion may assist users in more easily understanding the report, but it is not a required element.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>Management's Responsibility for the Financial Statements</i>			
4. Does the report include a section with the heading "Management's Responsibility for the Financial Statements"? [AU-C 700.26; AAG-SLV 14.18]	_____	_____	_____
5. Does the report describe management's responsibility for the preparation and fair presentation of the financial statements, including an explanation that management is responsible for			
a. the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework?	_____	_____	_____
b. the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error? [AU-C 700.27 and .A24; AAG-SLV 14.18]	_____	_____	_____
6. If management includes a separate statement about its responsibilities in a document containing the auditor's report, does the description of management's responsibility included in the auditor's report not refer to this management statement? [AU-C 700.28 and .A25; AAG-SLV 14.18]	_____	_____	_____
<i>Auditor's Responsibility</i>			
7. Does the report include a section with the heading "Auditor's Responsibility" and state that the responsibility of the auditor is to express an opinion(s) on the financial statements based on the audit? [AU-C 700.29-.30; AAG-SLV 14.19]	_____	_____	_____
8. Although the auditor's report generally will provide more than one opinion, the auditor is conducting only one audit. Does this section refer to only one audit? (If there is only one opinion unit, the reference would be to opinion rather than opinions.) [AU-C 700.30; AAG-SLV 14.19]	_____	_____	_____
9. Does the report state that the audit was conducted in accordance with GAAS and identify the United States of America as the country of origin of those standards? [AU-C 700.31 and .A27-.28; AAG-SLV 14.20]	_____	_____	_____
10. Does the report state that GAAS requires the auditor to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement? [AU-C 700.31 and .A27-.28]	_____	_____	_____
11. Does the auditor's report describe an audit by stating that			
a. an audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements?	_____	_____	_____
b. procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. in making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, and accordingly, no such opinion is expressed?	_____	_____	_____
d. an audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the overall presentation of the financial statements? [AU-C 700.32]	_____	_____	_____
12. Does the auditor's report state whether the auditor believes that the audit evidence the auditor has obtained is sufficient and appropriate to provide a basis for the auditor's opinion(s)? [AU-C 700.33]	_____	_____	_____
<b>Auditor's Opinion(s)</b>			
13. Does the report include a section with the heading "Opinion" or "Opinions" if there are multiple opinion units? [AU-C 700.34; AAG-SLV 14.22]	_____	_____	_____
14. When expressing unmodified opinion(s) on the government's basic financial statements, does the auditor's opinion state that the financial statements present fairly, in all material respects, the financial position, changes in financial position, and, where applicable, cash flows of each opinion unit in those financial statements (or if the entity has a single opinion unit, on the financial statements as a whole) in accordance with GAAP (or the applicable financial reporting framework and its origin)? <sup>2</sup> [AU-C 700.19-.20, .35, and .A29; AAG-SLV 14.04, .22, and examples A-1-A-3 in appendix A of chapter 14]	_____	_____	_____
<b>Other Reporting Responsibilities</b>			
15. If the auditor addresses other reporting responsibilities in the auditor's report on the financial statements in addition to the auditor's responsibility under GAAS to report on the financial statements, are these other reporting responsibilities addressed in a separate section titled "Report on Other Legal and Regulatory Requirements" (or otherwise, as appropriate for its contents)? (For example, if the audit is also performed in accordance with <i>Government Auditing Standards</i> , an alternative title would be "Other Reporting Required by <i>Government Auditing Standards</i> ." [AU-C 700.37 and .A32-.A33; AAG-SLV 14.23 and example A-1 in appendix A of chapter 14]	_____	_____	_____
<b>Signature of the Auditor</b>			
16. Does the auditor's report include the manual or printed signature of the auditor's firm? <sup>3</sup> [AU-C 700.39 and .A35-.A36]	_____	_____	_____

<sup>2</sup> 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. (AAG-SLV 14.21 and appendix A, example A-1 in appendix A, and footnote 4, footnote 25, footnote 75, and footnote 78 in appendix A of chapter 14).

<sup>3</sup> 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 14.40-.42).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>Auditor's Address</i>			
17. Does the auditor's report name the city and state where the auditor practices? [AU-C 700.40 and .A37]	_____	_____	_____
<i>Date of the Auditor's Report</i>			
18. Is the auditor's report dated no earlier than the date on which the auditor obtained sufficient appropriate audit evidence on which to base the auditor's opinion(s) on the financial statements including evidence that			
a. the audit documentation has been reviewed?	_____	_____	_____
b. all the statements that the financial statements comprise, including the related notes, have been prepared?	_____	_____	_____
c. management has asserted that they have taken responsibility for those financial statements? [AU-C 700.41 and .A38-.41]	_____	_____	_____
<b>Departures from the Standard Report</b>			
<i>Basis for Modification Paragraph</i>			
19. If the auditor issues opinion(s) that are modified, is a paragraph(s) that uses a heading that includes "Basis for Qualified Opinion, Basis for Adverse Opinion," or "Basis for Disclaimer of Opinion," as appropriate, placed before the opinion paragraph? [AU-C 705.17; AAG-SLV 14.28-.29, .33-.34, and examples A-4-A-8 and A-10 in appendix A of chapter 14]	_____	_____	_____
20. If there is a material misstatement that relates to specific amounts in the financial statements (including quantitative disclosures), has the auditor included a description and quantification of the financial effects of the misstatement, unless impracticable? (If it is not practicable to quantify the financial effects, has the auditor so stated in the basis for modification paragraph?) See question 29 for additional GAAP departure considerations. [AU-C 705.18; AAG-SLV examples A-5-A-8, A-10, and A-12 in appendix A of chapter 14]	_____	_____	_____
21. If there is a material misstatement of the financial statements that relates to narrative disclosures, has the auditor included an explanation of how the disclosures are misstated? [AU-C 705.19]	_____	_____	_____
22. If there is a material misstatement of the financial statements that relates to the omission of information required to be presented or disclosed, has the auditor described the nature of the omitted information; and included the omitted information, provided that it is practicable to do so and the auditor has obtained sufficient appropriate audit evidence about the omitted information? [AU-C 705.20; AAG-SLV 14.32, .34, .53-.57, .66, .73, and examples A-6-A-8 and A-10-A-12 in appendix A of chapter 14]	_____	_____	_____
23. If the modification results from an inability to obtain sufficient appropriate audit evidence, has the auditor included the reasons for that inability? [AU-C 705.21; AAG-SLV 14.27-.29 and example A-4 in appendix A of chapter 14]	_____	_____	_____

Yes      No      N/A

### 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-C 705.11–.14; AAG-SLV 14.27]

24. Even if the auditor has expressed an adverse opinion or disclaimed an opinion on the financial statements, has the auditor

*a.* described in the basis for modification paragraph any other matters of which the auditor is aware that would have required a modification to the opinion and the related effects? \_\_\_\_\_

*b.* considered the need to describe in an emphasis-of-matter paragraph or other-matter paragraph(s) regarding any other matters of which the auditor is aware that would have resulted in additional communications in the auditor's report on the financial statements that are not modifications of the auditor's report? \_\_\_\_\_

[AU-C 705.22; AAG-SLV 14.25]

25. 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-C 705.11–.14; AAG-SLV 14.27]

### *Opinion Paragraph(s)*

#### Qualified Opinion—Scope Limitations

26. If a qualified opinion results from a limitation on the scope of the audit or insufficient audit evidence, does the heading of the opinion paragraph include "Qualified Opinion"? \_\_\_\_\_

[AU-C 705.23; AAG-SLV 14.28 and example A-4 in appendix A of chapter 14]

27. Does the qualified opinion include the corresponding phrase "except for the possible effects of the matter(s)..." on the financial statements of the affected opinion unit(s)? \_\_\_\_\_

[AU-C 705.24; AAG-SLV example A-4 in appendix A of chapter 14]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
Disclaimer of Opinion—Scope Limitations			
28. If an auditor disclaims an opinion due to an inability to obtain sufficient appropriate audit evidence,			
a. has the auditor amended the introductory paragraph to state that the auditor was engaged to audit the financial statements and amended the description of the auditor’s responsibility and the description of the scope of the audit to state only the following?  Our responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter(s) described in the basis for disclaimer of opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.	_____	_____	_____
b. does the heading of the opinion paragraph include “Disclaimer of Opinion”?	_____	_____	_____
c. does the auditor state in the opinion paragraph that (i) because of the significance of the matter(s) described in the basis for disclaimer of opinion paragraph, the auditor has not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion, and (ii) accordingly, the auditor does not express an opinion on the financial statements? [AU-C 705.26–.27; AAG-SLV 14.29–.31 and example A-4 in appendix A of chapter 14]	_____	_____	_____

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#### Practice Tip

Consult AU-C section 705, *Modifications to the Opinion in the Independent Auditor’s Report* (AICPA, *Professional Standards*), for additional references to specific types of GAAP departures that could result in qualified or adverse opinions. See also chapter 14 of the Audit and Accounting Guide *State and Local Governments*, especially paragraphs 14.32–.35, for descriptions of GAAP departures in governmental financial statements.

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#### GAAP Departures

29. 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, inappropriate accounting principles, or unreasonable accounting estimates. [AU-C 705.07–.08; AAG-SLV 14.32–.35]	_____	_____	_____
b. 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 unit if the missing major fund is contained therein? [AAG-SLV 14.53 and example A-10 in appendix A of chapter 14]	_____	_____	_____



	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. The auditor concludes that noncompliance with laws and regulations has a material effect on the financial statements, and the act has not been properly accounted for or disclosed. [AU-C 250.24]	_____	_____	_____
<b>Qualified Opinion—GAAP Departure</b>			
30. If a qualified opinion results from a GAAP departure, does the heading of the opinion paragraph include “Qualified Opinion”? [AU-C 705.23; AAG-SLV 14.23 and example A-5 in appendix A of chapter 14]	_____	_____	_____
31. Does the auditor state in the opinion paragraph that, in the auditor’s opinion, except for the effects of the matter(s) described in the basis for qualified opinion paragraph, the financial statements are presented fairly, in all material respects, in accordance with GAAP (or an applicable financial reporting framework)? [AU-C 705.24; AAG-SLV 14.24 and example A-5 in appendix A of chapter 14]	_____	_____	_____
<b>Adverse Opinion—GAAP Departure</b>			
32. If an adverse opinion results from a GAAP departure, does the heading of the opinion paragraph include “Adverse Opinion”? [AU-C 705.23; AAG-SLV 14.34–35 and examples A-6–A-8, A-10, and A-12 in appendix A of chapter 14]	_____	_____	_____
33. Does the auditor state in the opinion paragraph that, in the auditor’s opinion, because of the significance of the matter(s) described in the basis for adverse opinion paragraph, the financial statements are not presented fairly in accordance with GAAP (or an applicable financial reporting framework)? [AU-C 705.25; AAG-SLV examples A-6–A-8, A-10, and A-12 in appendix A of chapter 14]	_____	_____	_____
<b>Adverse or Disclaimer of Opinion on Financial Statements as a Whole</b>			
34. Does the report render an adverse opinion or a disclaimer of opinion on the financial statements 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, as a whole, are not presented fairly in conformity with GAAP or it is appropriate to disclaim an opinion on the financial statements as a whole? [AAG-SLV 14.34–35 and example A-8 in appendix A of chapter 14]	_____	_____	_____
<b>Prior-Period Financial Statements</b>			
35. 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, has the auditor updated the report on those prior-period financial statements? (See question 45a.) [AU-C 700.45–.47; AAG-SLV 14.47]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<b>More-Detailed Level of Materiality</b>			
36. 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 .60-.61]	_____	_____	_____
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 14.61 and example A-13 in appendix A of chapter 14]	_____	_____	_____
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 14.62 and example A-14 in appendix A of chapter 14]	_____	_____	_____
<b>Group Audits</b>			
37. In a group audit, if the group engagement partner decides to assume responsibility for the work of a component auditor, is the auditor's report on the group financial statements silent about the component auditor? [AU-C 600.31]	_____	_____	_____
38. In a group audit, if the group engagement partner decides not to assume responsibility for the work of a component auditor, does the auditor's report on the group financial statements make reference to the audit of a component auditor? [AU-C 600.28-.30]	_____	_____	_____
39. If the auditor's report on the group financial statements makes reference to the audit of a component auditor [AAG-SLV 4.114-.115, 14.37-.39, and example A-9 in appendix A of chapter 14]			
a. is the component auditor's report presented together with that of the auditor's report on the group financial statements? [AU-C 600.29]	_____	_____	_____
b. has the component auditor issued an auditor's report that is not restricted regarding use? [AU-C 600.25]	_____	_____	_____
c. has the group engagement partner determined that the component auditor performed an audit of the financial statements of the component in accordance with the relevant requirements of GAAS? [AU-C 600.27]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>d. has the group engagement team performed the procedures required by AU-C section 600, <i>Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)</i> (AICPA, <i>Professional Standards</i>), except for those required by paragraphs .51–.65? [AU-C 600.27]</p>	_____	_____	_____
40. If the auditor's report on the group financial statements makes reference to the audit of a component auditor, does the auditor's report on the group financial statements clearly indicate			
<p>a. that the component was not audited by the auditor of the group financial statements, but was audited by the component auditor?</p>	_____	_____	_____
<p>b. the magnitude of the portion of the financial statements audited by the component auditor?</p>	_____	_____	_____
<p>c. the set of auditing standards used by the component auditor and that additional audit procedures were performed by the component auditor to meet the relevant requirements of GAAS, if (i) the component auditor's report on the component's financial statements does not state that the audit of the component's financial statements was performed in accordance with GAAS and (ii) the group engagement partner determined that the component auditor performed additional audit procedures in order to meet the relevant requirements of GAAS? [AU C 600.28; AAG-SLV example A-9 in appendix A of chapter 14]</p>	_____	_____	_____
41. If the auditor's report on the group financial statements makes reference to the audit of a component auditor, and the component's financial statements are prepared using a different financial reporting framework from that used for the group financial statements [AAG-SLV 4.115 and 14.36–.39]			
<p>a. are the measurement, recognition, presentation, and disclosure criteria that are applicable to all material items in the component's financial statements under the financial reporting framework used by the component similar to the criteria that are applicable to all material items in the group's financial statements under the financial reporting framework used by the group? [AU-C 600.26]</p>	_____	_____	_____
<p>b. has the group engagement team obtained sufficient appropriate audit evidence to evaluate the appropriateness of the adjustments to convert the component's financial statements to the financial reporting framework used by the group without the need to assume responsibility for and, thus, be involved in, the work of the component auditor? [AU-C 600.26]</p>	_____	_____	_____
<p>c. does the auditor's report on the group financial statements indicate the financial reporting framework used by the component? [AU-C 600.28]</p>	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>d. does the auditor's report on the group financial statements indicate that auditor of the group financial statements is taking responsibility for evaluating the appropriateness of the adjustments to convert the component's financial statements to the financial reporting framework used by the group? [AU-C 600.28]</p>	_____	_____	_____
<p>42. If the opinion of a component auditor is modified or that report includes an emphasis-of-matter or other-matter paragraph, is the report of the auditor of the group financial statements modified or does it include an emphasis-of-matter paragraph or an other-matter paragraph, when deemed appropriate? [AU-C 600.30; AAG-SLV 14.38-.39, .85, and example A-9 in appendix A of chapter 14]</p>	_____	_____	_____

#### Emphasis-of-Matter and Other-Matter Paragraphs

43. Certain circumstances, although not affecting the auditor's unmodified opinion, may require that the auditor add an emphasis-of-matter or other matter paragraph to the standard report. Paragraph .05 of AU-C section 706, *Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor's Report* (AICPA, *Professional Standards*), provides the following definitions:

**Emphasis-of-matter paragraph.** A paragraph included in the auditor's report that is required by GAAS, or is included at the auditor's discretion, and that refers to a matter appropriately presented or disclosed in the financial statements that, in the auditor's professional judgment, is of such importance that it is fundamental to users' understanding of the financial statements.

**Other-matter paragraph.** A paragraph included in the auditor's report that is required by GAAS, or is included at the auditor's discretion, and that refers to a matter other than those presented or disclosed in the financial statements that, in the auditor's professional judgment, is relevant to users' understanding of the audit, the auditor's responsibilities, or the auditor's report.

[AAG-SLV 14.24]

#### *Emphasis-of-Matter Paragraph*

44. If the auditor considers it necessary to draw users' attention to a matter appropriately presented or disclosed in the financial statements that, in the auditor's professional judgment, is of such importance that it is fundamental to users' understanding of the financial statements, has the auditor included an emphasis-of-matter paragraph in the auditor's report?  
[AU-C 706.06]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
45. Is the emphasis-of-matter paragraph included immediately after the opinion paragraph in the auditor's report			
a. when a subsequently discovered fact becomes known to the auditor after the report release date and management revises the financial statements, has the auditor disclosed the matters listed in paragraph .16c of AU-C section 560, <i>Subsequent Events and Subsequently Discovered Facts</i> (AICPA, <i>Professional Standards</i> ), in an emphasis-of-matter or other-matter paragraph if the auditor's opinion on the revised financial statements differs from the opinion the auditor previously expressed? [AU-C 560.16]	_____	_____	_____
b. when the auditor concludes that substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time remains, has the auditor included an emphasis-of-matter paragraph in the auditor's report to reflect that conclusion? <sup>4</sup> [AU-C 570.15]	_____	_____	_____
c. when 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 does the auditor's report include an emphasis-of-matter paragraph that describes the change in accounting principle and provides a reference to the entity's disclosure? <sup>5, 6</sup> [AU-C 708.08-.09; AAG-SLV 14.44 and .59]	_____	_____	_____
d. except when special purpose financial statements are prepared in accordance with a regulatory basis of accounting and together with the auditor's report are intended for general use, does the auditor's report on special purpose financial statements include an emphasis-of-matter paragraph that (i) indicates the financial statements are prepared in accordance with the applicable special purpose framework; (ii) refers to the note to the financial statements that describes the framework, and (iii) states that the special purpose framework is a basis of accounting other than GAAP? [AU-C 800.19 and .21]	_____	_____	_____

<sup>4</sup> 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-C section 705, *Modifications to the Opinion in the Independent Auditor's Report* (AICPA, *Professional Standards*) (see paragraph .16 of AU-C section 570, *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern* [AICPA, *Professional Standards*]).

<sup>5</sup> Financial reporting frameworks often contain requirements for the accounting for, and disclosure of, changes in accounting policies. When the entity has changed its selection of significant accounting policies, a material misstatement of the financial statements may arise when the entity has not complied with these requirements. If a change in accounting policy does not meet the conditions described in AU-C section 708, *Consistency of Financial Statements* (AICPA, *Professional Standards*), then a material misstatement of the financial statements may arise.

<sup>6</sup> 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 14.52).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
e. when the auditor is required by law or regulation to use a specific layout, form, or wording of the auditor's report and the auditor's report refers to GAAS, has the auditor included an emphasis-of-matter paragraph as a required element? [AU-C 800.22i]	_____	_____	_____
46. Is the emphasis-of-matter paragraph included immediately after the opinion paragraph in the auditor's report and include "Emphasis of Matter" or another appropriate heading? [AU-C 800.07]	_____	_____	_____
47. Does the emphasis-of-matter paragraph include a clear reference to the matter being emphasized and to where relevant disclosures that fully describe the matter can be found in the financial statements and that the auditor's opinion is not modified with respect to the matter? [AU-C 800.07]	_____	_____	_____
<b>Other-Matter Paragraph</b> [AAG-SLV 14.24]			
48. When the auditor considers it necessary to communicate a matter other than those that are presented or disclosed in the financial statements that, in the auditor's professional judgment, is relevant to users' understanding of the audit, the auditor's responsibilities, or the auditor's report, has the auditor done so in a paragraph in the auditor's report with the heading "Other Matter" or another appropriate heading? [AU-C 706.08]	_____	_____	_____
49. Is an other-matter paragraph included in the auditor's report			
a. when a subsequently discovered fact becomes known to the auditor after the report release date and management revises the financial statements, has the auditor disclosed the matters listed in paragraph .16c of AU-C section 560 in an emphasis-of-matter or other-matter paragraph if the auditor's opinion on the revised financial statements differs from the opinion the auditor previously expressed? [AU-C 560.16]	_____	_____	_____
b. when the financial statements of a prior period (presented for comparative purposes) have been audited by a predecessor auditor whose report is not presented? [AU-C 700.54]	_____	_____	_____
50. Is the other-matter paragraph placed immediately after the opinion paragraph and any emphasis-of-matter paragraph or elsewhere in the auditor's report if the content of the other-matter paragraph is relevant to the "Other Reporting Responsibilities" section?	_____	_____	_____
51. 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)?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. does the auditor's report include an other-matter 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 the auditor is assuming in relation to the prior-period information by stating in a separate 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 include an other-matter paragraph and not include an opinion on that information? [AU-C 706.08 and 700.A48; AAG-SLV 14.48–.50 and fn 14, fn 15, and fn 16]	_____	_____	_____

#### Financial Statements That Include Only Part of the Reporting Entity

52. If the government also has issued audited financial statements for the reporting entity, does the auditor's report on separate primary government financial statements include an emphasis-of-matter paragraph that			
a. indicates that the financial statements are those of the primary government and not of the financial reporting entity?	_____	_____	_____
b. defines the term <i>primary government</i> ?	_____	_____	_____
c. indicates 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 <sup>8</sup> of the financial reporting entity in conformity with GAAP?	_____	_____	_____
d. indicates that the entity has issued separate audited reporting entity financial statements?	_____	_____	_____
e. the auditor's opinion is not modified with respect to the matter?	_____	_____	_____
53. Does the auditor's report express opinions or give disclaimers of opinions on the opinion units in the primary government's financial statements? [AAG-SLV 14.55 and example A-11 in appendix A of chapter 14]	_____	_____	_____
54. 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 14.56, fn 18, and example A-12 in appendix A of chapter 14]	_____	_____	_____

<sup>7</sup> According to paragraph .A48 of AU-C section 700, *Forming an Opinion and Reporting on Financial Statements* (AICPA, *Professional Standards*), the guidance in AU-C section 930, *Interim Financial Information* (AICPA, *Professional Standards*), may be adapted to report on condensed financial statements or prior period summarized financial information that is derived from audited financial statements and is presented comparatively with the complete set of financial statements of the current period. Paragraph 14.50 of the Audit and Accounting Guide *State and Local Governments* provides such an example.

<sup>8</sup> See footnote 2.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
55. 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 14.57]	_____	_____	_____
56. Does the auditors' report disclose that the entity is a component unit of a financial reporting entity, if applicable? [AAG-SLV 14.58 and example A-2 in appendix A of chapter 14]	_____	_____	_____
<b>Other Financial Statement Presentations</b>			
57. Does the auditor's report on GAAP-basis financial statements for one or more individual funds			
<i>a.</i> report on the audit based on each fund as a separate opinion unit?	_____	_____	_____
<i>b.</i> indicate in the introductory and opinion paragraphs the specific fund(s)?	_____	_____	_____
<i>c.</i> include an emphasis-of-matter 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? <sup>9</sup>	_____	_____	_____
<i>d.</i> consider whether the financial statements include all relevant GAAP financial statements, note disclosures, management's discussion and analysis (MD&A) topics, and other RSI?	_____	_____	_____
<i>e.</i> 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 as a whole. See question 33.) [AAG-SLV 14.87–.90 and example A-15 in appendix A of chapter 14]	_____	_____	_____
58. Does the auditor's report on GAAP-basis financial statements for governmental departments, agencies, or programs <sup>10</sup>			
<i>a.</i> report on the audit based on the involved opinion units?	_____	_____	_____
<i>b.</i> include an emphasis-of-matter 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? <sup>11</sup>	_____	_____	_____
<i>c.</i> consider whether the financial statements include all relevant GAAP financial statements, note disclosures, MD&A topics, and other RSI? [AAG-SLV 14.91 and example A-16 in appendix A of chapter 14]	_____	_____	_____

<sup>9</sup> See footnote 2.

<sup>10</sup> 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 footnote 26 in chapter 14).

<sup>11</sup> See footnote 2.



Yes      No      N/A

### Required Supplementary Information, Supplementary Information, and Other Information

#### Practice Tip

The Audit and Accounting Guide *State and Local Governments* includes flowcharts that summarize auditor procedures and reporting on RSI, SI, and other information (OI).

59.	For RSI				
	a.	does the report include an other-matter paragraph following the opinion paragraph that refers to the RSI? [AU-C 730.07]	_____	_____	_____
	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-C section 730 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-C section 730?	_____	_____	_____
	vi.	Auditor has unresolved doubts about whether the RSI is presented in accordance with prescribed guidelines? [AU-C 730.07]	_____	_____	_____
	c.	if the entity presented all or some of the RSI does the other-matter 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 [GASB], 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-C section 730?	_____	_____	_____
	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-C 730.08a-c]	_____	_____	_____
d. if the auditor is unable to complete the procedures in paragraph .05 of AU-C section 730, <i>Required Supplementary Information</i> (AICPA, <i>Professional Standards</i> ), does the other-matter 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 [state reasons]?	_____	_____	_____
ii. A statement that the auditor does not express an opinion or provide any assurance on the information? [AU-C 730.08d]	_____	_____	_____
e. if some of the RSI is omitted does the other-matter paragraph include all of the following as applicable:			
i. A statement that management has omitted [description of the missing RSI] that [accounting principles generally accepted in the United States of America] 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 [GASB] 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-C 730.08e]	_____	_____	_____
f. if the measurement or presentation of RSI departs materially from the prescribed guidelines, does the other-matter paragraph include a statement that although the auditor's opinion on the basic financial statements is not affected, material departures from prescribed guidelines exist [describe the material departures from the applicable financial reporting framework]? [AU-C 730.08f]	_____	_____	_____
g. if the auditor has unresolved doubts about whether the RSI is measured or presented in accordance with prescribed guidelines, does the other-matter 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 [GASB]? [AU-C 730.08g]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p><i>h.</i> if all of the RSI is omitted does the other-matter paragraph include all of the following as applicable:</p> <p><i>i.</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?</p> <p><i>ii.</i> 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?</p> <p><i>iii.</i> A statement that the auditor's opinion on the basic financial statements is not affected by the missing information? [AU-C 730.09]</p> <p>[AAG-SLV 14.66-.73]</p>	_____	_____	_____
60. For SI			
<p><i>a.</i> 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?<sup>12</sup> [AU-C 725.01]</p> <p><i>b.</i> if the entity presented SI with the financial statements did the auditor report on the SI in either (i) an other-matter paragraph following the opinion paragraph in the auditor's report on the financial statements or (ii) in a separate report on the SI? [AU-C 725.09]</p> <p><i>c.</i> does the other-matter paragraph on SI or the separate report include the following as applicable:</p> <p><i>i.</i> A statement that the audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements?</p> <p><i>ii.</i> A statement that the SI is presented for purposes of additional analysis and is not a required part of the basic financial statements?</p> <p><i>iii.</i> 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 basic financial statements?</p>	_____	_____	_____

<sup>12</sup> 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-C section 725, *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-C section 720, *Other Information in Documents Containing Audited Financial Statements* (AICPA, *Professional Standards*).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
iv. A statement that the SI 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 basic financial statements or to the basic financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America?	_____	_____	_____
v. A statement that, in the auditor's opinion, the SI is fairly stated, in all material respects, in relation to the basic financial statements as a whole (when an unmodified opinion has been issued on the basic financial statements and the auditor has concluded the SI is fairly stated, in all material respects, in relation to the basic 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 basic financial statements</i> ], such information is fairly stated, in all material respects, in relation to the basic 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-C 725.09a-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-C 725.10]	_____	_____	_____
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-C 725.11]	_____	_____	_____
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-C section 725, <i>Supplementary Information in Relation to the Financial Statements as a Whole</i> (AICPA, <i>Professional Standards</i> )? [AU-C 725.12]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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-C 725.13] [AAG-SLV 14.74-.79]	_____	_____	_____

**For OI**

61. Did the auditor elect to include an other-matter paragraph in the auditor's report on the financial statements disclaiming an opinion on the OI? [AU-C 720.12a]	_____	_____	_____
62. 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 other-matter paragraph describing the material inconsistency in accordance with AU-C section 705?	_____	_____	_____
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-C 720.12c] [AAG-SLV 14.80-.84]	_____	_____	_____
63. Did the auditor apply the relevant requirements of AU-C section 560 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? [AU-C 720.13-.14]	_____	_____	_____
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-C 720.15]	_____	_____	_____
64. Did the auditor discuss any apparent material misstatements of fact (noted when reading the OI for purposes of identifying material inconsistencies) with management? [AU-C 720.16]	_____	_____	_____
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-C 720.17]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>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-C 720.18]</p>	_____	_____	_____
<p>65. If the auditor of group financial statements is relying on the component auditor's work on RSI or SI, is the report modified to refer to the work of the component auditor? [AAG-SLV 14.85 and example A-9 in appendix A of chapter 14]</p>	_____	_____	_____
<b>Other Auditor Communications</b>			
<p>66. 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 auditor's written communication should include</p>			
<p>a. the definition of the terms <i>material weakness</i> and, when relevant, <i>significant deficiency</i>.</p>	_____	_____	_____
<p>b. a description of the significant deficiencies and material weaknesses and an explanation of their potential effects.</p>	_____	_____	_____
<p>c. that the purpose of the audit was for the auditor to express an opinion on the financial statements, and the audit included consideration of internal control over financial reporting in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of internal control.</p>	_____	_____	_____
<p>d. a statement that the auditor is not expressing an opinion on the effectiveness of internal control.</p>	_____	_____	_____
<p>e. a statement that the auditor's consideration of internal control was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified.</p>	_____	_____	_____
<p>f. an appropriate alert, in accordance with AU-C section 905, <i>Alert That Restricts the Use of the Auditor's Written Communication</i> (AICPA, <i>Professional Standards</i>). [AU-C 265.11-.14; AAG-SLV 4.28-.29 and 13.43-.44]</p>	_____	_____	_____

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#### Practice Tips

AU-C section 265, *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-C section 265 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-C section 265, the auditor

(continued)

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
applies the criteria of magnitude and likelihood (reasonable possibility) when classifying control deficiencies as deficiencies, significant deficiencies, or material weaknesses.			
When the auditor issues a written communication stating that no material weaknesses were identified during the audit, the communication should include the matters in paragraphs .14a and .14c-d of AU-C section 265. Furthermore, the auditor should not issue a written communication stating that no significant deficiencies were identified during the audit.			
67.			
Does the auditor follow the reporting requirements of AU-C section 260, <i>The Auditor's Communication With Those Charged With Governance</i> (AICPA, <i>Professional Standards</i> ), when communicating the following to management and those charged with governance?			
a.			
The auditor's responsibilities under generally accepted auditing standards and, where applicable, <i>Government Auditing Standards</i> and OMB Circular A-133 (see part 3 "Auditors' Reports Checklist for Audits Performed in Accordance With Government Auditing Standards and OMB Circular A-133 Checklist")?			
b.			
An overview of the planned scope and timing of the audit?			
c.			
Significant findings from the audit?			
d.			
Uncorrected misstatements? [AU-C 260.10-.12]			
68.			
Is an appropriate alert, in accordance with AU-C section 905, included? [AU-C 260.17]			
69.			
If the auditor has identified a fraud or has obtained information that indicates that a fraud may exist, has the auditor communicated these matters on a timely basis to the appropriate level of management? [AU-C 240.39-.42]			
70.			
Has the auditor communicated with those charged with governance matters involving noncompliance with laws and regulations that come to the auditor's attention during the course of the audit, other than when the matters are clearly inconsequential? [AU-C 250.21]			
71.			
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 and in the auditor's professional judgment the requirement is significant and relevant regarding their financial reporting responsibility, has the auditor communicated to those charged with governance, 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? [AU-C 260.12 and .A27; AAG-SLV 4.27]			





## Part 3

# *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.<sup>1</sup> 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 by-product of a financial statement audit.

.02 This checklist has two sections: Section 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.) Section II contains the additional requirements for auditor's reports on audits performed in accordance with the Single Audit Act and Circular A-133.<sup>2</sup> For audits performed in accordance with Circular A-133, both section 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* to assist in conducting single audits. That supplement is available on the OMB's website at [www.whitehouse.gov/omb/grants\\_circulars/](http://www.whitehouse.gov/omb/grants_circulars/). The

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<sup>1</sup> As discussed in paragraph 4.06 of the 2013 edition of the AICPA Audit Guide *Government Auditing Standards and Circular A-133 Audits* (the guide), paragraph 4.18 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 involvement with municipal securities filings and states that if the auditor is involved with a government's official statements, the auditor should consider which auditor's reports the government presents in the official statement. It is generally advisable for the official statement to use an auditor's report on the financial statements that does not refer to the *Government Auditing Standards* audit or to those separate reports because those references, without the presentation of the reports in the official statement, could confuse the users of the official statement. The information contained in this checklist is based on the 2011 revision of GAS, which is effective for audits of periods beginning on or after December 15, 2012.

<sup>2</sup> AU-C section 935, *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.

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, 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](http://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*.

.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 part 2, "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. A statement published on OMB's website at the Circular A-133 link has clarified that the terms *significant deficiency* and *material weakness* are to be used as defined in generally accepted auditing standards (GAAS) issued by the AICPA and in *Government Auditing Standards* issued by the GAO. The result of this clarification is that Circular A-133 reports are to be based on the guidance in AU-C section 265, *Communicating Internal Control Matters Identified in an Audit* (AICPA, *Professional Standards*). This checklist uses the guidance in AU-C section 265 for all reporting, including Circular A-133 reporting.

.07 Detailed guidance for the American Recovery and Reinvestment Act of 2009 (ARRA) has not been incorporated into this checklist. However, the 2013 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 ARRA awards in a compliance audit. For the latest OMB guidance, go to the OMB website at [www.whitehouse.gov/omb/grants\\_circulars](http://www.whitehouse.gov/omb/grants_circulars) to find the OMB Circular A-133 Compliance Supplement for the year under audit, and [www.whitehouse.gov/omb/recovery\\_default](http://www.whitehouse.gov/omb/recovery_default) for other ARRA guidance issued. Information can also be found at the Recovery Act Resource Center on the Governmental Audit Quality Center website, which is open to the public, and at the U.S. Government's official ARRA website.

.08 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

GAS = GAO 2011 revision to *Government Auditing Standards*

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

AAG-SLA = AICPA Audit Guide *Government Auditing Standards and Circular A-133 Audits* (as of February 1, 2013)

.09 Checklist Questionnaire:

**Section I — Reports on Audits Performed in Accordance With GAS<sup>3</sup>**

	<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: <sup>4</sup>			
a. A report on the entity's financial statements that provides an opinion or disclaimer of opinion on the financial statements? [GAS 4.17; AAG-SLA 4.02 and .46]	_____	_____	_____
b. A report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with GAS? [GAS 4.19; AAG-SLA 4.07 and .11]	_____	_____	_____

**Report on the Financial Statements**

2. In addition to the elements listed in the checklist for the auditor's report on the financial statements in part 2, 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? <sup>5</sup> [GAS 4.18; AAG-SLA 4.04-.05 and .48-.49]	_____	_____	_____
b. a statement or a reference to a separate report on internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters prepared in accordance with GAS, <sup>6</sup> which includes			
i. a statement that the purpose of the report is to describe the scope of the testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance? <sup>7</sup>	_____	_____	_____

<sup>3</sup> GAS incorporates by reference AICPA Statements on Auditing Standards. Therefore, auditors performing financial statement audits in accordance with GAS should comply with GAAS, the requirements and guidance found in chapters 1–3 of GAS, and the additional requirements for financial audits found in chapter 4, "Standards for Financial Audits," of GAS. (GAS 4.01; AAG-SLA 4.01).

<sup>4</sup> 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 special-purpose framework (sometimes referred to as an other comprehensive basis of accounting), the auditor should follow the guidance in AU-C section 800, *Special Considerations—Audits of Financial Statements Prepared in Accordance With Special Purpose Frameworks* (AICPA, *Professional Standards*). That guidance notes that when forming an opinion and reporting on special purpose financial statements, the auditor should apply the requirements in AU-C section 700, *Forming an Opinion and Reporting on Financial Statements* (AICPA, *Professional Standards*) (GAS 2.07; AAG-SLA 4.48p).

<sup>5</sup> An auditor in a governmental entity may be required to perform a nonaudit service that could impair the auditor's independence with respect to a required audit. If the auditor cannot, as a consequence of constitutional or statutory requirements over which the auditor has no control, implement safeguards to reduce the resulting threat to an acceptable level, or decline to perform or terminate a nonaudit service that is incompatible with audit responsibilities, the auditor should disclose the nature of the threat that could not be eliminated or reduced to an acceptable level and modify the GAS compliance statement accordingly. See paragraphs 2.24 and 2.25 of GAS for the discussion of modifications to the GAS compliance statement. (GAS 3.44; AAG-SLA 2.16).

<sup>6</sup> 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 4.11 and .52).

<sup>7</sup> Paragraph 4.21 of GAS states that if auditors issue an opinion on internal control over financial reporting, the opinion would satisfy the GAS requirement for reporting on internal control. (GAS 4.21; AAG-SLA 4.09 and fn 22 at 4.54e).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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 in considering the auditee’s internal control over financial reporting and compliance? [GAS 4.20-.22; AAG-SLA 4.08, .48 <i>u-w</i> , and .52]	_____	_____	_____
3. If the auditor does not follow an applicable standard of GAS, does the auditor’s responsibility 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 2.24-.25; AAG-SLA 4.50]	_____	_____	_____
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 auditor’s responsibility section 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 4.75-.76]	_____	_____	_____
<b>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit Performed in Accordance With GAS</b>			
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 the AICPA Audit Guide Government Auditing Standards and Circular A-133 Audits, including the appropriate headings (including “Independent Auditor’s Report” under the title)? [AAG-SLA 4.54 and examples 4-3-4-7 in appendix A of chapter 4]	_____	_____	_____
6. Does the auditor’s report on internal control over financial reporting and on compliance and other matters contain			
a. an appropriate addressee?	_____	_____	_____
b. 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 the name of each opinion unit, the period covered by the report, and the date of the auditor’s report) and a description of any departure from the standard report (for example, a qualified opinion, a modification regarding consistency because of a change in accounting principle, or a reference to the report of other auditors)? [AAG-SLA 4.54 <i>b</i> and examples 4-3-4-7 in appendix A of chapter 4]	_____	_____	_____
c. 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 and with the standards applicable to financial audits contained in <i>Government Auditing Standards</i> , issued by the Comptroller General of the United States?	_____	_____	_____
d. a section with the heading “Internal Control Over Financial Reporting”?	_____	_____	_____

		<u>Yes</u>	<u>No</u>	<u>N/A</u>
e.	a statement that in planning and performing the audit of the financial statements, the auditor considered the auditee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the auditee's internal control; and accordingly, does not express an opinion on the effectiveness of the auditee's internal control? <sup>8</sup>	_____	_____	_____
f.	the definitions of <i>deficiency in internal control</i> , <i>material weakness</i> , and <i>significant deficiency</i> ?	_____	_____	_____
g.	the following three statements if no significant deficiencies or material weaknesses have been identified:			
i.	A statement that the auditor's consideration of internal control was for the limited purpose described in question 6e and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies?	_____	_____	_____
ii.	A statement that, given the limitations, during the audit the auditor did not identify any deficiencies in internal control that are considered to be material weaknesses? <sup>9</sup>	_____	_____	_____
iii.	A statement that material weaknesses may exist that have not been identified?	_____	_____	_____
h.	the following four statements if significant deficiencies have been identified (but none are considered to be material weaknesses):			
i.	A statement that the auditor's consideration of internal control was for the limited purpose described in question 6e and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified?	_____	_____	_____
ii.	A statement that given these limitations, during the audit the auditor did not identify any deficiencies in internal control that were considered to be material weaknesses; however, material weaknesses may exist that have not been identified?	_____	_____	_____
iii.	A statement that certain deficiencies in internal control over financial reporting were identified that the auditor considers to be significant deficiencies?	_____	_____	_____

<sup>8</sup> Paragraph 4.21 of GAS states that if the auditor issues an opinion on internal control, that opinion would satisfy the GAS requirement for reporting on internal control. If the auditor provides an opinion on internal control over financial reporting or on compliance, then the AICPA Audit Guide Government Auditing Standards and Circular A-133 Audits recommends that the reference to the separate report be modified to indicate that there is such an opinion. (AAG-SLA 4.11).

<sup>9</sup> This wording is based on the requirement in paragraph .16 of AU-C section 265, *Communicating Internal Control Related Matters Identified in an Audit* (AICPA, *Professional Standards*), which states that the auditor should not issue a written communication stating that no significant deficiencies were identified during the audit.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
iv. A description of the significant deficiencies identified, including the title of the schedule in which the findings are reported? (Alternatively the findings may be listed in the report.) <sup>10</sup>	_____	_____	_____
i. the following four statements if material weaknesses and significant deficiencies have been identified:			
i. A statement that the auditor’s consideration of internal control was for the limited purpose described in question 6e and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified?	_____	_____	_____
ii. A statement that certain deficiencies in internal control over financial reporting were identified that the auditor considers to be material weaknesses and significant deficiencies?	_____	_____	_____
iii. A description of the material weaknesses, including the title of the schedule in which the findings are reported? (Alternatively the findings may be listed in the report.) <sup>11</sup>	_____	_____	_____
iv. A description of the significant deficiencies identified, including the title of the schedule in which the findings are reported? (Alternatively the findings may be listed in the report.) <sup>12</sup>	_____	_____	_____
j. a section with the heading “Compliance and Other Matters”?	_____	_____	_____
k. a statement that as part of obtaining reasonable assurance about whether the auditee’s financial statements are free from 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?	_____	_____	_____
l. 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? <sup>13</sup>	_____	_____	_____
m. if no instances of noncompliance or other matters have been identified that are required to be reported, a statement that the results of tests disclosed no instances of noncompliance or other matters that are required to be reported under GAS?	_____	_____	_____

<sup>10</sup> 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 section II of this checklist (AAG-SLA 13.25).

<sup>11</sup> See footnote 10.

<sup>12</sup> See footnote 10.

<sup>13</sup> See footnote 8.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
n. if instances of noncompliance or other matters have been identified that are required to be reported, a statement that the results of the tests disclosed instances of noncompliance or other matters that are required to be reported under GAS, including the title of the schedule in which the findings are reported? <sup>14</sup>	_____	_____	_____
o. if material weaknesses, significant deficiencies, or reportable instances of noncompliance or other matters are identified, a section with the heading "[Name of auditee]'s Response to Findings"?	_____	_____	_____
p. a statement that the auditee's response to the findings identified in the audit are described in the accompanying [include the title of the schedule in which the findings are reported or, if findings and responses are included in the body of the report, "previously"]?	_____	_____	_____
q. a statement that "[Name of Entity]'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, the auditor does not express an opinion on it"?	_____	_____	_____
r. a section with the heading "Purpose of this Report"?	_____	_____	_____
s. a statement that states  The purpose of the report is solely to describe the scope of the testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with <i>Government Auditing Standards</i> in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.	_____	_____	_____
t. the manual or printed signature of the auditor's firm?	_____	_____	_____
u. auditor's city and state?	_____	_____	_____
v. the date of the auditor's report? [AAG-SLA 4.54]	_____	_____	_____
7. Does the report carry the same date as the report on the financial statements? [AAG-SLA 4.54, footnote 28 of chapter 4]	_____	_____	_____
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 auditor's responsibility 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 4.74–.76]	_____	_____	_____

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<sup>14</sup> Paragraph 4.13 of the AICPA Audit Guide *Government Auditing Standards and Circular A-133 Audits* discusses noncompliance and other matters—certain fraud and abuse—for which *Government Auditing Standards* requires reporting in the auditor's report. Paragraph 4.59 in the guide discusses where to report findings of fraud and abuse in the report on internal control over financial reporting and on compliance and other matters.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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 4.40; AAG-SLA 4.68]	_____	_____	_____
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? ("Other matters" refers to certain fraud and abuse. It is recommended that this language 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 4.59]	_____	_____	_____
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 4.58]	_____	_____	_____
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 4.59]	_____	_____	_____
13. Do the reported findings include (a) all significant deficiencies and material weaknesses in internal control; (b) all instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the financial statements or other financial data significant to the audit objectives and any other instances that warrant the attention of those charged with governance, <sup>15</sup> (c) all instances of noncompliance with provisions of contracts or grant agreements that have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives and (d) abuse that has a material effect, either qualitative or quantitative, on the audit? <sup>16</sup> [GAS 4.23; AAG-SLA 4.13]	_____	_____	_____
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 20X1-001, 20X1-002, and so forth)? [AAG-SLA 4.62]	_____	_____	_____

<sup>15</sup> 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 noncompliance with laws and regulations involving federal awards that are subject to Circular A-133 reporting. (AAG-SLA paragraphs 4.55-.62 contain the GAS requirements for presenting audit findings.) (AAG-SLA 4.39, 13.23, and exhibit 13-1).

<sup>16</sup> GAS requires this reporting even if the auditor disclaims an opinion on the financial statements. (GAS 4.19; AAG-SLA 4.07)



	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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 4.29; AAG-SLA 4.61]	_____	_____	_____
<i>a.</i> When reporting instances of fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, are the results projected? (If the results cannot be projected, auditors should limit their conclusions appropriately.) [GAS 4.29; AAG-SLA 4.61]	_____	_____	_____
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 4.10–.14 and .28; AAG-SLA 4.57 and .62]	_____	_____	_____
17. Does the auditor's report include the views of responsible officials concerning the findings, conclusions, and recommendations, as well as planned corrective actions? <sup>17</sup> [GAS 4.33; AAG-SLA 4.63]	_____	_____	_____
<i>a.</i> 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? <sup>18</sup>	_____	_____	_____
<i>b.</i> Does the auditor's report include an evaluation of the comments, as appropriate?	_____	_____	_____
<i>c.</i> 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?	_____	_____	_____
<i>d.</i> 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? <sup>19</sup> [GAS 4.33–.39; AAG-SLA 4.63–.66]	_____	_____	_____

<sup>17</sup> 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 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 section II of this checklist (AAG-SLA fn 32 in chapter 4).

<sup>18</sup> 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. (GAS 4.35; AAG-SLA 4.64)

<sup>19</sup> 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. (GAS 4.39; AAG-SLA 4.66).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<b>Other Reporting and Communication Considerations</b>			
18. Does a written communication communicate those instances of noncompliance with provisions of contracts or grant agreements or abuse that have an effect on the financial statements or other financial data significant to the audit objectives that are less than material but warrant the attention of those charged with governance, as required under GAS? <sup>20</sup> [GAS 4.26; AAG-SLA table 4-1 and 4.72]	_____	_____	_____
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 4.73]	_____	_____	_____
b. Does the management letter not include personal identification or other potentially sensitive matters? [AAG-SLA 4.72]	_____	_____	_____
19. Has the auditor used professional judgment to determine whether and how to communicate to auditee officials deficiencies in internal control, instances of fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements, and abuse that do not warrant the attention of those charged with governance? <sup>21</sup> [GAS 4.26; AAG-SLA table 4-1 and 4.72]	_____	_____	_____
20. Has the auditor reported known or likely fraud, noncompliance with provisions of laws, regulations, 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 4.30; AAG-SLA 4.43–44]	_____	_____	_____
21. If the auditor is			
a. a government auditor, does the auditor submit the auditor’s reports to those charged with governance, to the appropriate officials of the audited entity, and to the appropriate oversight bodies or organizations requiring or arranging for the audits? As appropriate, auditors should also distribute copies of the reports to 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. Has any limitation on report distribution (for example reports containing confidential or sensitive information) been documented?	_____	_____	_____

<sup>20</sup> Generally, GAS requires the auditor to evaluate findings for the purpose of communicating such findings 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 4.39).

<sup>21</sup> GAAS require that whenever the auditor has identified a fraud or has obtained information that indicates a fraud may exist, the auditor should communicate these matters on a timely basis to the appropriate level of management, even if the matter might be considered inconsequential (paragraph .39 of AU-C section 240, *Consideration of Fraud in a Financial Statement Audit* [AICPA, *Professional Standards*]; and AAG-SLA 4.26).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>b. a nongovernment auditor, has the auditor clarified report distribution responsibilities with the engaging organization? If the contracting firm is responsible for the distribution, has an agreement been reached with the party contracting for the audit about which officials or organizations will receive the report and the steps being taken to make the report available to the public? Has any limitation on report distribution (for example reports containing confidential or sensitive information) been documented? [GAS 4.45; AAG-SLA 4.67]</p>	_____	_____	_____

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

<p>1. In an audit performed in accordance with Circular A-133, has the auditor issued the following reports in addition to those in section I of this checklist:<sup>22</sup></p>			
<p>a. A report on the supplementary schedule of expenditures of federal awards (schedule) that provides an opinion (or disclaimer of opinion) regarding whether the schedule is presented fairly in all material respects in relation to the basic financial statements as a whole?</p>	_____	_____	_____
<p>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 audited entity complied with the types of compliance requirements described in Circular A-133 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?</p>	_____	_____	_____
<p>c. A schedule of findings and questioned costs? [A-133 sec. 505; AAG-SLA 13.06]</p>	_____	_____	_____

**Report on the Supplementary Schedule of Expenditures of Federal Awards<sup>23</sup>**

<p>2. Is the report on the schedule of expenditures included in (a) an other-matter paragraph presented in accordance with AU-C section 706, <i>Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor's Report</i> (AICPA, <i>Professional Standards</i>), 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 or by reporting in a separate stand-alone report.)<sup>24</sup> [AAG-SLA 7.18, 13.11–.12, and examples 4-1 and 13-1–13-5]</p>	_____	_____	_____
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<sup>22</sup> 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 "Other Reporting and Communication Considerations" subsection in section I of this checklist.

<sup>23</sup> AU-C section 725, *Supplementary Information in Relation to the Financial Statements as a Whole* (AICPA, *Professional Standards*), provides requirements and guidance related to issuing an "in relation to" opinion on the schedule of expenditures of federal awards. For more information on the requirements under AU-C section 725, including illustrative report language, see chapter 7, "Schedule of Expenditures of Federal Awards," in the 2013 edition of the Audit Guide *Government Auditing Standards and Circular A-133 Audits* and chapter 14, "Audit Reporting," in the 2013 edition of AICPA *Audit and Accounting Guide State and Local Governments*.

<sup>24</sup> Paragraph 13.13 of the Audit Guide *Government Auditing Standards and Circular A-133 Audits* recommends that, when possible, the auditor report on the schedule of expenditures of federal awards as supplementary information in the report on the financial statements.

		<u>Yes</u>	<u>No</u>	<u>N/A</u>
3.	Does the other-matter 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?	_____	_____	_____
e.	If an unmodified 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, .14-.15, and examples 13-1-13-5]	_____	_____	_____
4.	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, .22, and examples 13-1-13-5]	_____	_____	_____
5.	When reporting separately on the schedule, does the report include, in addition to the elements in question 3, all of the following elements:			
a.	A reference to the report on the financial statements?	_____	_____	_____
b.	The date of the report on the basic financial statements?	_____	_____	_____
c.	The nature of the opinion expressed on the basic financial statements?	_____	_____	_____
d.	Any report modifications? [AAG-SLA 13.12, .16-.17, and examples 13-1-13-5]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
6. 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? 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]	_____	_____	_____
7. 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-C section 725, <i>Supplementary Information in Relation to the Financial Statements as a Whole</i> (AICPA, <i>Professional Standards</i> )? [AAG-SLA 13.18-.21]	_____	_____	_____
8. 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]	_____	_____	_____
9. 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 and described the misstatement in the auditor's report?	_____	_____	_____
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]	_____	_____	_____
10. If the report on the basic financial statements refers to the work of other auditors, has the auditor considered whether a reference to other auditors is needed? [AAG-SLA 13.36]	_____	_____	_____
<b>Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With Circular A-133</b>			
11. Does the report conform to the standard report language illustrated in AAG-SLA? [AAG-SLA examples 13-1-13-5]	_____	_____	_____
12. Does the report contain the following elements:			
a. A subtitle that includes the word <i>independent</i> ?	_____	_____	_____
b. An addressee appropriate for the circumstances of the engagement?	_____	_____	_____
c. A section titled "Report on Compliance for Each Major Federal Program"?	_____	_____	_____

		<u>Yes</u>	<u>No</u>	<u>N/A</u>
d.	An introductory paragraph that includes the following:			
i.	A statement that the auditor has audited the compliance of the auditee with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major programs?	_____	_____	_____
ii.	Identification of the period covered by the report?	_____	_____	_____
iii.	A statement that the auditee’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs?	_____	_____	_____
e.	A subheading titled “Management’s Responsibility” that includes a statement that compliance with the requirements of laws, regulations, contracts, and grants applicable to each of the auditee’s federal programs is the responsibility of the auditee’s management?	_____	_____	_____
f.	A subheading titled “Auditor’s Responsibility” that includes the following:			
i.	A statement that the auditor’s responsibility is to express an opinion on compliance for each of the entity’s major federal programs based on the audit of the types of compliance requirements described in Circular A-133?	_____	_____	_____
ii.	A statement that the compliance audit was conducted in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in <i>Government Auditing Standards</i> issued by the Comptroller General of the United States and Circular A-133?	_____	_____	_____
iii.	A statement that those standards (identified in item f[ii]) 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?	_____	_____	_____
iv.	A statement that an audit includes examining, on a test basis, evidence about the entity’s compliance with those requirements and performing such other procedures as the auditor considered necessary in the circumstances?	_____	_____	_____
v.	A statement that the auditor believes that the compliance audit provides a reasonable basis for the auditor’s opinion?	_____	_____	_____
vi.	A statement that the compliance audit does not provide a legal determination of the auditee’s compliance?	_____	_____	_____
g.	If the auditor is expressing an unmodified opinion on all major programs, a subheading titled “Opinion on Each Major Federal Program” that contains a statement that in the auditor’s opinion the auditee complied, in all material respects, with the types of compliance requirements that could have a direct and material effect on each of its major federal programs for the year ended [specify date]?	_____	_____	_____

		<u>Yes</u>	<u>No</u>	<u>N/A</u>
h.	If instances of noncompliance for a major program are noted that result in an opinion qualification, a subheading titled, "Basis for Qualified Opinion on [Name of Major Federal Program]" that includes the following:			
i.	A statement that, as described in the accompanying schedule of findings and questioned costs, the auditee did not comply with requirements regarding [identify the major federal program and associated finding number(s) matched to the type(s) of compliance requirements]?	_____	_____	_____
ii.	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.	If instances of noncompliance are noted that result in an opinion qualification for one or more major programs, is there			
i.	a subheading with an appropriate title (for example, "Qualified Opinion on [Name of Major Federal Program]") that includes the auditor's opinion that, except for the noncompliance described in the basis for qualification paragraph, the auditee complied, in all material respects, with the types of compliance requirements that could have a direct and material effect on [identify major federal program]?	_____	_____	_____
ii.	a subheading with an appropriate title (for example, "Unmodified Opinion on Each of the Other Major Federal Programs") that includes a statement that in the auditor's opinion the auditee complied, in all material respects, with the types of compliance requirements that could have a direct and material effect on each of its other major federal programs?	_____	_____	_____
j.	If other noncompliance is identified that does not result in a modified opinion but that is required to be reported in accordance with Circular A-133, a subheading titled "Other Matters" containing all of the following:			
i.	A reference to the schedule of findings and questioned costs in which the instances of noncompliance are described, including the reference number(s) of the finding(s)?	_____	_____	_____
ii.	A statement that the auditor's opinion on each major federal program is not modified with respect to the matters?	_____	_____	_____
iii.	A statement that the auditee's response to the noncompliance findings identified are described in the accompanying [insert name of document containing management's response to the auditor's findings, for example "schedule of findings and questioned costs and/or corrective action plan]?	_____	_____	_____
iv.	A statement that the auditee's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, the auditor expresses no opinion on the response?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
k. A section heading "Report on Internal Control Over Compliance" that includes the following statements and definitions:			
i. A statement that the auditee's management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements?	_____	_____	_____
ii. A statement that in planning and performing the compliance audit, the auditor considered the auditee's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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?	_____	_____	_____
iii. A statement that the auditor is not expressing an opinion on the effectiveness of internal control over compliance?	_____	_____	_____
iv. The definitions of <i>deficiency in internal control over compliance</i> , <i>material weakness in internal control over compliance</i> , and <i>significant deficiency in internal control over compliance</i> ?	_____	_____	_____
v. A statement that the auditor's consideration of internal control over compliance was for the limited purpose described in item k(ii) and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies?	_____	_____	_____
vi. If no material weaknesses in internal control over compliance were identified, a statement that the auditor did not identify any deficiencies in internal control over compliance that are considered to be material weaknesses?	_____	_____	_____
vii. A statement that material weaknesses may exist that have not been identified? (For situations where significant deficiencies or material weaknesses are identified, this statement is revised to indicate that material weaknesses or significant deficiencies may exist that have not been identified.)	_____	_____	_____
viii. If significant deficiencies in internal control over compliance were identified, a statement that no deficiencies in internal control over compliance were identified that are considered to be material weaknesses, however 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(s) of the finding(s)?	_____	_____	_____



	<u>Yes</u>	<u>No</u>	<u>N/A</u>
ix. 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(s) of the finding(s)?	_____	_____	_____
x. If applicable, a statement that the auditee's response to the findings identified in the audit are described in the accompanying schedule of findings and questioned costs, and that the auditee's written response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, expresses no opinion on it?	_____	_____	_____
xi. A separate paragraph at the end of the section stating that the purpose of the report on internal control over compliance is solely to describe the scope of the auditor's testing of internal control over compliance and the result of that testing based on the requirements of Circular A-133. Accordingly, this report is not suitable for any other purpose? <sup>25</sup>	_____	_____	_____
l. The manual or printed signature of the auditor's firm?	_____	_____	_____
m. The city and state where the auditor practices?	_____	_____	_____
n. The date of the auditor's report? [AAG-SLA 13.31]	_____	_____	_____
13. 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]	_____	_____	_____
14. Have scope limitations on the auditor's testing of the 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]	_____	_____	_____
15. 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]	_____	_____	_____

<sup>25</sup> This paragraph conforms to paragraph .11 of AU-C section 905, *Alert That Restricts the Use of the Auditor's Written Communication (AICPA, Professional Standards)*, which modifies the alert language used for compliance audits performed under *Government Auditing Standards*. This language should only be included in the internal control over compliance section of combined reports on the entity's compliance and internal control over compliance in light of the fact that it is the nature of the reporting on internal control over compliance that triggers the required use of alert language (see paragraph .06c of AU-C section 905). If the auditor issues separate reports on the entity's compliance and its internal control over compliance, this alert should be included in the report on internal control over compliance, but would not be included in the report on compliance.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
16. 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 13.43]	_____	_____	_____
17. 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]	_____	_____	_____
18. 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 13.37]	_____	_____	_____
19. If the report on the financial statements refers to the work of other auditors, has the auditor considered whether a reference to other auditors is needed? [AAG-SLA 13.36]	_____	_____	_____
<b>Schedule of Findings and Questioned Costs</b>			
20. Does the report conform to the standard report language illustrated in the AICPA Audit Guide Government Auditing Standards <i>and Circular A-133 Audits</i> ? [AAG-SLA example 13-6]	_____	_____	_____
21. 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 13.47]	_____	_____	_____
22. 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 section I of this checklist.)	_____	_____	_____
c. Findings and questioned costs for federal awards? [AAG-SLA 13.38]	_____	_____	_____

		<u>Yes</u>	<u>No</u>	<u>N/A</u>
23.	Does the summary of auditor's results include			
	<i>a.</i> the type of report the auditor issued on the financial statements of the auditee (that is, unmodified opinion, qualified opinion, adverse opinion, or disclaimer 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.)	_____	_____	_____
	<i>b.</i> where applicable, a statement that significant deficiencies or material weaknesses, or both, in internal control were disclosed by the audit of the financial statements?	_____	_____	_____
	<i>c.</i> a statement on whether the audit disclosed any noncompliance that is material to the financial statements?	_____	_____	_____
	<i>d.</i> where applicable, a statement that significant deficiencies and material weaknesses in the internal control over major programs were disclosed by the audit?	_____	_____	_____
	<i>e.</i> the type of report the auditor issued on compliance for major programs (that is, unmodified opinion, qualified opinion, adverse opinion, or disclaimer of opinion)? (If the audit report for one or more major programs is other than unmodified, indicate the type of report issued for each program.)	_____	_____	_____
	<i>f.</i> a statement on whether the audit disclosed any audit findings that the auditor is required to report under Circular A-133? (See question 25 in this section.)	_____	_____	_____
	<i>g.</i> an identification of major programs?	_____	_____	_____
	<i>h.</i> the dollar threshold used to distinguish between type A and type B programs?	_____	_____	_____
	<i>i.</i> a statement on whether the auditee qualified as a low-risk auditee? [AAG-SLA 13.39a]	_____	_____	_____
24.	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 13.43]	_____	_____	_____
25.	Are the following reported as audit findings related to federal awards:			
	<i>a.</i> Significant deficiencies and material weaknesses in internal control over major programs? (The auditor should identify significant deficiencies that are individually or cumulatively material weaknesses.)	_____	_____	_____
	<i>b.</i> Material noncompliance with the provisions of laws, regulations, contracts, or grant agreements related to a major program?	_____	_____	_____
	<i>c.</i> Known questioned costs that are greater than \$10,000 for a type of compliance requirement for a major program?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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 unmodified 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 13.42]	_____	_____	_____
h. Instances of material misrepresentation by the auditee of the status of any prior audit findings? [A-133 sec. 510(a); AAG-SLA 13.42 and .50]	_____	_____	_____
i. Abuse involving federal awards that is material to a major program? [AAG-SLA 13.43]	_____	_____	_____
26. 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 13.46]	_____	_____	_____
b. identification of the federal program and specific federal award, including Catalog of Federal Domestic Assistance, or CFDA, title and number, federal award number and year, name of the federal agency, and name of the applicable pass-through entity? <sup>26</sup>	_____	_____	_____
c. the criteria or specific requirement upon which the audit finding is based, including the statutory, regulatory, or other citation?	_____	_____	_____
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? <sup>27</sup>	_____	_____	_____
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 13.44]	_____	_____	_____

<sup>26</sup> 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 13.44a).

<sup>27</sup> 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 13.44e).

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
27. Do the audit findings related to federal awards also meet the presentation requirements of GAS? (See the questions about those presentation requirements in section I of this checklist.) [AAG-SLA 13.45]	_____	_____	_____
28. Are audit findings that relate to federal awards			
<i>a.</i> and that relate to the same issue presented as one finding?	_____	_____	_____
<i>b.</i> organized by federal agency or pass-through entity, where practical? [A-133 sec. 505(d)(3)(i); AAG-SLA 13.39c]	_____	_____	_____
29. 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 13.39c]	_____	_____	_____
30. 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 13.43]	_____	_____	_____
31. 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? <sup>28</sup> [AAG-SLA 13.41 and .49]	_____	_____	_____
<i>a.</i> If the auditee's comments 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 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 13.45]	_____	_____	_____
32. 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]	_____	_____	_____
<b>Data Collection Form<sup>29</sup></b>			
33. Has the auditor completed the appropriate parts of the data collection form? [AAG-SLA 13.53]	_____	_____	_____

<sup>28</sup> See footnote 18.

<sup>29</sup> The data collection form and related instructions are available from the Federal Audit Clearinghouse's (FAC's) website 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>
34. Has the auditor electronically certified (via an on-line signature) the form? (The date the auditor agrees to the certification statement indicates the completion date of the form as it relates to the auditor.) [AAG-SLA 13.53]	_____	_____	_____
35. 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]	_____	_____	_____

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#### 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]

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#### Program-Specific Audits

36. 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 the AICPA Audit Guide Government Auditing Standards and Circular A-133 Audits? [A-133 sec. 235(a); AAG-SLA 14.04]	_____	_____	_____
37. 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: <sup>30, 31</sup>			
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 questioned costs for the program? [A-133 sec. 235(b)(4); AAG-SLA 14.09-.11]	_____	_____	_____

---

<sup>30</sup> 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).

<sup>31</sup> See footnote 22.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
38. Do the reports conform to the standard report language illustrated in the AICPA Audit Guide Government Auditing Standards <i>and Circular A-133 Audits</i> ? [AAG-SLA examples 13-1-13-2 and 14-1-14-2]	_____	_____	_____

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## Part 4

# *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 Wake County, North Carolina, for its contribution of the use of its Comprehensive Annual Financial Report for the year ended June 30, 2012, upon which the illustrative financial statements in this publication are based. Specifically, these illustrative financial statements reflect accounting standards issued by the Governmental Accounting Standards Board effective for financial statements for periods beginning after June 11, 2011.

.02

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## Example County, North Carolina Management’s Discussion and Analysis Fiscal Year Ended June 30, 2012

.03 As the management of Example County, North Carolina, we offer readers of our financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2012.

### Financial Highlights for Example County, North Carolina

.04 The County has maintained an "Aaa" bond rating from Moody’s Investors Service since 1973, an "AAA" rating from Standard & Poor’s Corporation since 1983, and an "AAA" rating from Fitch since 2000. These bond ratings are clear indications of the sound financial condition of the County. The County is one of the few counties in the country that maintains the highest financial rating from all three major rating agencies. This achievement is a key factor in keeping interest costs low on the County’s outstanding general obligation debt. These ratings were reaffirmed most recently in January 2012.

Example County prides itself on its strong financial management and governance. The County maintains a 7-year capital improvement plan (CIP) developed within the context of debt policies and targets necessary to maintain its Aaa bond rating. The plan is funded through dedicated revenue sources and the County maintains a target of no more than 80 percent debt in any given year. The County’s policy is to maintain a minimum fund balance of 19 percent in the debt service fund and models forecast revenues and expenditures to assure that the dedicated portions of property and sales tax are sufficient for funding the debt. The County’s repayment schedule meets the standards of Aaa rated counties.

We clearly demonstrated that Example County has low linkages to the U.S. sovereign credit rating, and in December 2011, Moody's revised the financial outlook for Example County's rating to "stable" from "negative." Moody's released a report stating that Example County, along with other named entities revised to stable, were considered to have fewer financial and economic linkages to the U.S. government. Of the 87 counties rated Aaa by Moody's in the United States, 53 were assigned a negative outlook by Moody's in August 2011, including all of the Moody's Aaa rated counties in North Carolina except Forsyth County. In addition to Example, the outlook of five other counties in North Carolina rated Aaa by Moody's, and 35 nationwide, were revised to stable in December 2011.

Example County competitively bid and sold \$96.79 million in fixed-rate general obligation bonds in January 2012 to support Example County Public School System (WCPSS) projects. In November 2006, Example County voters had authorized \$970 million of general obligation bonds to support the WCPSS CIP 2006 building program. All of the general obligation bonds authorized in November 2006 in support of the WCPSS building program have now been issued.

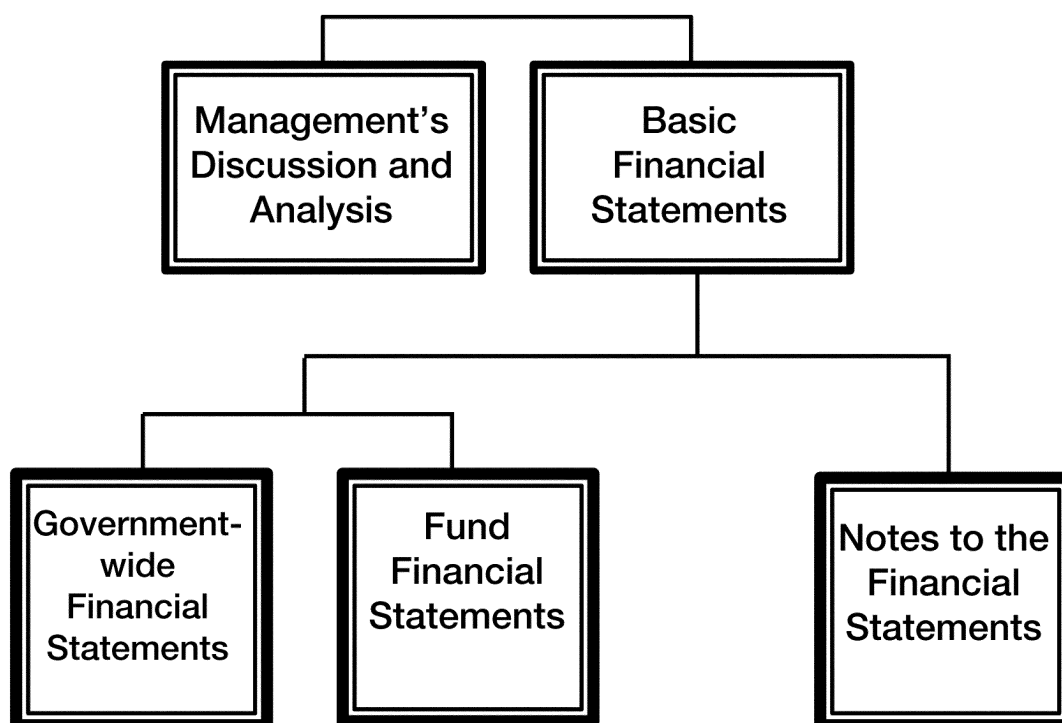
The County also reviewed its variable debt portfolio in fall 2011 and, in January 2012, the County competitively bid and sold refunding bonds in order to refund \$124 million of variable rate debt. As part of the transaction, the County used \$30 million of cash to reduce the amount of total debt outstanding. This transaction reduced the County's overall amount and percentage of variable rate debt in the debt portfolio from \$324 million to \$200 million or from 15.3 percent to 9.3 percent of the total debt portfolio.

The County measures its financial health and flexibility to meet operating needs as a ratio of fund balance as a percentage of expenditures, transferring significant resources from its General Fund into the Debt Service Fund to meet those future commitments. As a result, the combined General Fund and Debt Service Fund balances are measured together to assess the County's overall fiscal health. At the end of the 2012 fiscal year, the fund balances for the County's General Fund and the Debt Service Fund were \$175.7 million and \$169.3 million, respectively; compared with both funds reporting fund balances of \$159.5 million and \$166.2 million respectively in the prior fiscal year. The total fund balances of both funds compared as a percentage of the subsequent year's budgeted appropriations in both funds was 35.02 percent as of the end of fiscal year 2012, compared with a combined total of 32.72 percent as of the end of the 2011 fiscal year.

The County uses a long-term financial planning model for capital budgeting purposes. The capital and debt component of the model help evaluate the impact of capital funding decisions on the County's financial condition and to ensure policy targets are maintained. In accordance with its financial model, the County allocates a portion of property taxes specifically for debt service and cash funding for its capital program. The tax rate for fiscal year 2012 was 53.4 cents, of which, 15.5 cents are dedicated to capital and debt service. For the fiscal year 2012, the County transferred \$182.6 million from the General Fund to fund the Debt Service component of its capital model and a total of \$25.6 million to County capital.

## Overview of the Financial Statements

.05 This discussion and analysis are intended to serve as an introduction to the basic financial statements. The basic financial statements consist of three components: (1) the government-wide financial statements, (2) the fund financial statements, and (3) the notes to the financial statements. The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the County. The required components of annual financial report follow.



## Basic Financial Statements

.06 The first two statements in the basic financial statements are the **Government-wide Financial Statements**. The statements provide both short and long-term information about the County's financial status, using the full-accrual basis of accounting, in a manner similar to a private-sector business.

The two government-wide statements report the County's net assets and how they have changed. Net assets reported on the *statement of net assets* are the difference between the County's total assets and total liabilities. *The statement of activities* presents information showing how the County's net assets have changed during the 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 the related cash flows.

The two government-wide statements are each divided into three categories: (1) governmental activities; (2) business-type activities; and (3) component units. The governmental activities include most of the County's basic services such as education, human services, public safety, environmental services, community development and cultural services, and general government services. Property and other taxes as well as state and federal grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. For Example County, only the Solid Waste function is reported as a business-type activity. The final category is the component units. Although the ABC Board is legally separate from the County, the County exercises control over the Board by appointing its members and because the Board is required to distribute its profits to the County.

The government-wide financial statements are in paragraphs .16–.17 of this report.

The next statements within the basic financial statements are the **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government at a more detailed level than the government-wide statements. There are four parts to the fund financial statements: 1) the governmental funds statements; 2) the budgetary comparison statement; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The **fund financial statements** provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segre-

gated for specific activities or objectives. The County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or noncompliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance. 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 those same functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. Governmental funds financial statements focus on the near-term inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the fiscal year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a current financial resources focus. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The **Budgetary Comparison Statement** is the next part of the fund financial statements that is presented. The County adopts an annual budget for its General Fund, as required by the North Carolina General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County has provided the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the Statement of Revenues, Expenditures and Changes in Fund Balance. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the variance between the final budget and the actual results.

*Proprietary Funds*—For the fiscal year ended June 30, 2012, the County had three 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 solid waste operations that are County funded as well as the South Example Landfill Partnership Fund that accounts for the activities associated with the South Example landfill that is a partnership between the County and eleven municipalities within the County. The enterprise funds are consolidated into the business-type activities that are presented in the Statement of Net Assets and the Statement of Activities. *Internal service funds* are used to account for goods or services provided to one department by another on a cost reimbursement basis. The County also reports the activities associated with the Corporate Fleet Fund within an Internal Service Fund. Because Corporate Fleet Fund activities are primarily related to governmental activities, it is consolidated primarily into the governmental activities that are presented in the Statement of Net Assets and the Statement of Activities.

*Agency Funds*—Agency funds are used to account for assets the County holds on behalf of others. Example County has four agency funds that are used to account for taxes collected for and remitted to other municipalities within the County, funds held by Example County Human Services on behalf of clients, the Department of Motor Vehicles interest penalties collected on behalf of the State, and fines and forfeitures that are collected from citizens and disbursed to the School System under North Carolina law.

The final section of the basic financial statements is the **notes to the financial statements**. The notes are essential to a full understanding of the data provided in the government-wide and fund financial statements because they explain in detail some of the data contained in those statements.

After the notes, this report presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to law enforcement personnel. Finally, combining statements are provided to show details about the County's nonmajor governmental funds, as well as enterprise funds. Budgetary information for each fund as required by the North Carolina General Statutes and detailed comparison statements, including encumbrances reported for internal reporting purposes for the County's General Fund and annually budgeted funds, can also be found in this section.

## Government-wide Financial Analysis

.07 The County's liabilities exceeded assets by \$874.6 million as of June 30, 2012. Net assets are reported in three general categories: invested in capital assets, net of related debt of \$353.5 million, restricted amounts totaling \$198.4 million, and unrestricted net deficit of \$1,426.5 million.

One portion of Example County's net assets reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment); less any related debt still outstanding that was issued to acquire those assets that are 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 the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The amount reported as invested in total capital assets decreased from \$370.9 million in the prior year to \$353.5 million at June 30, 2012. The largest portion of the decrease relates to the County's governmental activities. None of the County's school-related debt is included in this calculation as it is not considered capital related debt for Example County.

The largest category of net assets is unrestricted net assets. This balance may be used to meet the government's ongoing obligations to citizens and creditors. At June 30, 2012, the unrestricted deficit of \$1,425.8 million is attributable primarily to the general obligation bonds issued by Example County for the school system within the governmental activities. Even though the debt issued has been issued to finance capital outlay and construction for the School System, the Governmental Accounting Standards Board has determined that it is not capital debt for the County since it is not financing assets that are owned by the County. As a result, the school debt is reportable within the unrestricted category of net assets rather than as part of the category invested in capital assets, net of related debt. The breakdown of the unrestricted portion of net equity is defined as follows:

School System Debt	\$(1,548,706,165)
All other unrestricted	<u>122,878,694</u>
Total unrestricted (Deficit)	<u><u>\$(1,425,827,471)</u></u>

The amount reported in the total unrestricted category decreased from \$(1,501.2) million as of June 30, 2011 to \$(1,425.8) million as of June 30, 2012. This decrease reflects an increase in School Capital Fund expenses, required by accounting standards to be treated as operating expenses, that increased from \$95.4 million during fiscal year 2011 to \$135.0 million during fiscal year 2012. This increase in expenses was more than offset by ending school bond proceeds on hand at June 30, 2012 of \$153.6 million. School-related debt, and the associated capital expenses, is not considered capital debt for the County since the School System, not the County, holds title to the assets purchased or constructed with the debt proceeds. Therefore, the debt, the capital expenses, and the associated bond proceeds are reported as part of the unrestricted component net assets.

*Example County's Net Assets:*  
.08

	June 30, 2012 Governmental Activities	June 30, 2011 Governmental Activities	June 30, 2012 Business-type Activities	June 30, 2011 Business-type Activities	June 30, 2012 Total	June 30, 2011 Total
Current and other assets	\$892,924,016	\$1,015,801,608	\$54,099,316	\$51,818,593	\$947,023,332	\$1,067,620,201
Capital assets	667,108,076	638,356,699	11,757,227	11,980,636	678,865,303	650,337,335
Total assets	1,560,032,092	1,654,158,307	65,856,543	63,799,229	1,625,888,635	1,717,957,536
Long-term liabilities/schools	1,724,223,227	1,763,979,035	—	—	1,724,223,227	1,763,979,035
Long-term liabilities/other	618,368,563	626,168,391	18,640,244	17,293,481	637,008,807	643,461,872
Other liabilities	135,064,621	118,396,037	4,201,877	5,518,296	139,266,498	123,914,333
Total liabilities	2,477,656,411	2,508,543,463	22,842,121	22,811,777	2,500,498,532	2,531,355,240
Net assets:						
Invested in capital assets, net of related debt	341,795,093	359,018,373	11,757,227	11,980,636	353,552,320	370,999,009
Restricted/various	193,631,239	313,308,968	4,034,015	3,515,460	197,665,254	316,824,428
Unrestricted	(1,453,050,651)	(1,526,712,497)	27,223,180	25,491,356	(1,425,827,471)	(1,501,221,141)
Total net assets	\$(917,624,319)	\$(854,385,156)	\$43,014,422	\$40,987,452	\$(874,609,897)	\$(813,397,704)



Because the County funds the school capital needs but does not carry the resulting assets on our financial statements, we report a net deficit on our statement of net assets. In spite of this deficit reported in governmental activities, the County's finances are strong as evidenced by:

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 98.83 percent.
- Planning and management of revenues and expenditures through the use of financial models for the capital, debt service, and various operating budgets.
- Continued low cost of bonded debt that is a direct result of the County's high bond rating by each of the three major rating agencies. As noted earlier, we consider this unique achievement to be a key factor in keeping the interest costs low on the County's general obligation debt outstanding of \$1.935 billion at June 30, 2012.

**Example County's Changes in Net Assets:**  
.09

	For the Year Ended		For the Year Ended		For the Year Ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	Total	Total
Revenues:						
Program revenues:						
Charges for services	\$76,514,608	\$61,818,669	\$22,322,650	\$22,512,763	\$98,837,258	\$84,331,432
Operating grants and contributions	142,473,712	157,524,209	1,688,916	1,621,434	144,162,628	159,145,643
General revenues:						
Property taxes	666,196,637	658,044,349	—	—	666,196,637	658,044,349
Sales taxes	120,834,877	114,034,923	—	—	120,834,877	114,034,923
Grants and contributions not restricted to specific programs	9,500,462	8,179,519	—	—	9,500,462	8,179,519
Other general revenues	48,663,001	51,642,316	2,140,954	1,466,675	50,803,955	53,108,991
Total revenues	<u>1,064,183,297</u>	<u>1,051,243,985</u>	<u>26,152,520</u>	<u>25,600,872</u>	<u>1,090,335,817</u>	<u>1,076,844,857</u>
Expenses:						
General administration	59,589,399	61,575,688	—	—	59,589,399	61,575,688
Human services	235,196,110	225,731,230	—	—	235,196,110	225,731,230
Education	467,744,519	457,469,350	—	—	467,744,519	457,469,350
Community development and cultural	72,248,767	62,457,707	—	—	72,248,767	62,457,707
Environmental services	12,948,713	10,700,438	—	—	12,948,713	10,700,438
Public safety	181,695,236	186,460,283	—	—	181,695,236	186,460,283
General services administration	21,913,044	24,364,454	—	—	21,913,044	24,364,454
Interest on long-term debt	76,490,672	77,008,686	—	—	76,490,672	77,008,686
Solid waste	—	—	23,721,550	24,521,783	23,721,550	24,521,783
Total expenses	<u>1,127,826,460</u>	<u>1,105,767,836</u>	<u>23,721,550</u>	<u>24,521,783</u>	<u>1,151,548,010</u>	<u>1,130,289,619</u>
Increase (decrease) in net assets before transfers	<u>(63,643,163)</u>	<u>(54,523,851)</u>	<u>2,430,970</u>	<u>1,079,089</u>	<u>(61,212,193)</u>	<u>(53,444,762)</u>

(continued)

	For the Year Ended		For the Year Ended		For the Year Ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	Total	Total
Transfers	404,000	404,000	(404,000)	(404,000)	—	—
Change in net assets	<u>(63,239,163)</u>	<u>(54,119,851)</u>	<u>2,026,970</u>	<u>675,089</u>	<u>(61,212,193)</u>	<u>(53,444,762)</u>
Net assets, beginning of year	<u>(854,385,156)</u>	<u>(800,265,305)</u>	<u>40,987,452</u>	<u>40,312,363</u>	<u>(813,397,704)</u>	<u>(759,952,942)</u>
Net assets, end of the year	<u><u>\$(917,624,319)</u></u>	<u><u>\$(854,385,156)</u></u>	<u><u>\$43,014,422</u></u>	<u><u>\$40,987,452</u></u>	<u><u>\$(874,609,897)</u></u>	<u><u>\$(813,397,704)</u></u>

*Governmental activities.* Governmental activities decreased the County's beginning net assets by \$63.2 million or more than 100 percent of the total decrease in the net assets of the County. As in prior fiscal years, the decrease is due primarily to increasing and continued capital spending in the school construction program. Since the School System, not the County, capitalizes these construction costs, they are included in the County's statement of changes as operating expenses within the education function. For the fiscal year ended June 30, 2012, these noncapital school capital expenditures incurred by the County in the School Capital Fund totaled \$135.0 million.

*Business-type activities.* Business-type activities remained consistent between the two fiscal years.

## Financial Analysis of the County's Funds

.10 The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The County's eight major funds, as defined by GAAP for the fiscal year ended June 30, 2012, were the General Fund, the Affordable Housing Fund, the Major Facilities Fund, the Debt Service Fund, the County Capital Projects Fund, the School Capital Fund, the Solid Waste Operating Fund, and the South Example Landfill Partnership Fund, the last two of which are enterprise funds.

As of the close of the 2012 fiscal year, the County's governmental funds reported combined ending fund balances of \$759.5 million, down \$138.7 million from the \$898.2 million for the prior fiscal year. The County's governmental fund balance decreased because, during the fiscal year ended June 30, 2012, the County issued a total of \$172.08 million in long-term bonds to finance \$96.79 million of capital expenditures for the school system and to advance refund \$75.29 million of prior debt, receiving premiums on the debt issuance of \$34.93 million, compared with total capital expenditures of \$212.20 million in the capital projects funds. A total of \$286.0 million of bond proceeds were still on hand at June 30, 2012, compared with \$359.0 million at the end of the prior fiscal year.

At June 30, 2012, the governmental funds of Example County reported a consolidated fund balance of \$759.5 million, a decrease of \$138.7 million, from the prior fiscal year's balance of \$898.2 million. The fund balance of the County's General Fund increased by \$16.2 million during fiscal year 2012; this increase in the fund balance in the General Fund was substantially more than the amount planned of \$(5.0) million. The \$21.2 million difference between planned usage of fund balance and the increase in the fund balance of the General Fund resulted from property tax, sales tax, and real property tax collections for the year being \$17.4 million higher than expected. These increases in tax collections were offset by reduced intergovernmental revenues of \$3.7 million for intergovernmental revenues related to the County's merger of the Example County Local Management Entity with Durham County as of July 1, 2012 to form Alliance Behavioral Healthcare. Further, expenditures within the General Fund were less than anticipated by \$6.9 million.

The largest portion of the governmental fund balance decrease resulted from a net decrease in fund balance of \$(88.9) million in the County Capital Projects Fund. A significant amount of this decrease resulted from bond proceeds that were spent down from \$140.9 million at the end of the fiscal year to \$83.2 million at the end of fiscal year 2012. These changes were in accordance with the County's capital improvement plan, which provides for capital needs for the county, the school system and the community college system by dedicating revenue sources to provide a stable financial model by which the County can meet its capital and debt service needs.

For the County Capital Project Fund, transfers into the fund from the General Fund were \$25.6 million, compared with \$23.2 million in the prior fiscal year. Of the total amount available for capital and debt service funding, the amount needed to maintain the County's target debt service balance at no less than 19 percent of the subsequent year's debt service is funded first with the remaining funds transferred to the capital fund for pay-as-you-go capital funding. As a result, the amount of transfers into the County's Capital Projects Fund can fluctuate from year to year as the Debt Service Fund's needs change.

*Governmental Funds.* The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the County's financing requirements. The General Fund is the chief operating fund of the County. At the end of the 2012 fiscal year, the total fund balance of the General Fund was \$175.7 million, compared with \$159.5 million at

the end of the prior year. The Board of County Commissioners has adopted a General Fund balance policy that requires the County to maintain a total General Fund balance of at least fifteen percent (15 percent) and an amount committed for working capital of at least ten percent (10 percent) of the following fiscal year's General Fund adopted budget in order to provide the County with adequate working capital and investment income. For the fiscal year ended June 30, 2012, the General Fund balance was 18.72 percent of the adopted budget for fiscal year 2012, compared with 16.75 percent at the end of the prior fiscal year. For the fiscal year ended June 30, 2012, the amount committed to working capital on the General Fund Balance Sheet was \$109.6 million, compared to \$102.3 million in the prior fiscal year.

### ***General Fund Budgetary Highlights:***

.11 During the fiscal year ended June 30, 2012, the County revised its General Fund budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Actual revenues in the General Fund were more than the amounts projected in the final budget by \$14.3 million for fiscal year 2012. The revenue overages occurred primarily in property taxes, sales taxes and real property transfer taxes as the Example County economy began to recover from the recent recession. Total taxes were greater than the final budgeted amount by \$17.4 million. A recovering housing market and improved consumer spending increased property tax collections by \$7 million more than budgeted and sales taxes more than \$8.9 million over the final amount budgeted. Real property transfer taxes also showed signs of improvement with a \$1.3 million increase over the amount budgeted for the year. These increases in tax collections were offset by reduced intergovernmental revenues of \$3.7 million for intergovernmental revenues.

Actual expenditures and transfers out in the General Fund were \$6.9 million less than budgeted amounts largely resulting from lower than projected spending by all of the County's departments, particularly Human Services and General Administration. In the Human Services department, the \$2.4 million budget difference primarily resulted from contracted services payments to providers for Mental Health Local Management Entity, Social Services Economic Self Sufficiency and Child Welfare being lower than budgeted. The General Administration departmental budget was underspent by \$2.0 million; \$.98 million of this difference was due to revaluation expenditures that were budgeted in fiscal year 2012 that will actually need to be spent in a subsequent year. A change in accounting standards implemented in the prior fiscal year required a nonmajor special revenue fund, the Revaluation Reserve Fund, be reported as other than a special revenue fund for the fiscal year ended June 30, 2011. During 2011, the Revaluation Reserve Fund was closed into the General Fund.

*Proprietary Funds.* The County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets in the proprietary fund statement of net assets for the Solid Waste Operating Fund at the end of the fiscal year amounted to \$26.7 million, an increase of \$1.1 million from the \$25.6 million reported at the end of fiscal year 2011. In addition, the South Example Landfill Fund, reported net assets of \$.91 million for the fiscal year 2012, an increase from the deficit of \$(55.6) thousand reported at the end of the prior fiscal year.

## Capital Asset and Debt Administration

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	Example County Capital Assets (net of Amortization and Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$110,138,651	\$92,901,383	\$1,875,253	\$1,875,253	\$112,013,904	\$94,776,636
Landfills	—	—	8,226,645	8,674,134	8,226,645	8,674,134
Buildings	258,599,018	262,105,975	767,654	796,898	259,366,672	262,902,873
Machinery and equipment	3,314,414	3,958,689	530,525	263,581	3,844,939	4,222,270
Vehicles and motorized equipment	11,665,952	12,792,863	—	—	11,665,952	12,792,863
Improvements other than Buildings	18,610,167	18,650,011	357,150	370,770	18,967,317	19,020,781
Software	9,978,797	—	—	—	9,978,797	—
Infrastructure	11,112,915	11,396,408	—	—	11,112,915	11,396,408
Construction in progress	243,688,162	236,551,370	—	—	243,688,162	236,551,370
Total	<u>\$667,108,076</u>	<u>\$638,356,699</u>	<u>\$11,757,227</u>	<u>\$11,980,636</u>	<u>\$678,865,303</u>	<u>\$650,337,335</u>

*Capital assets.* The County’s investment in capital assets for its governmental and business-type activities as of June 30, 2012, totals \$678.9 million (net of amortization and depreciation). These assets include buildings, vehicles, software, equipment, infrastructure, as well as land and landfills.

Major capital asset transactions during 2012 fiscal year included continued construction of the justice center and the continuation of improvements to county buildings.

Additional information on the County’s capital assets can be found in Note 6 of the Basic Financial Statements.

*Long-term Debt.* As of June 30, 2012, the County had total general obligation bonded debt outstanding of \$1.935 billion, \$1.723 billion of which was issued to help meet the capital outlay needs for the School System. In addition to general obligation bonded debt, the County also has outstanding limited obligation bonds, qualified zone academy bonds, capital leases, and installment purchases. A summary of total outstanding debt associated with governmental activities is shown below.

**Example County’s Outstanding Debt—Governmental Activities**

	<u>2012</u>	<u>2011</u>
General Obligation bonds (schools)	\$1,723,405,916	\$1,762,998,263
General Obligation bonds (other)	211,263,457	228,298,165
Capital leases	132,027	173,449
Limited obligation bonds	316,910,261	323,883,480
Qualified zoning academy bonds (schools)	817,311	980,772
Installment purchases	5,693,721	6,961,421
Total	<u>\$2,258,222,693</u>	<u>\$2,323,295,550</u>

Example County’s total general obligation debt decreased by \$56.6 million during the fiscal year ended June 30, 2012. This planned decrease occurred because the amount of additional general obligation bonds issued by the County during the 2012 fiscal year were exceeded by the amount of debt service principal payments paid by the County during the year.

Additional information regarding the County’s long-term debt can be found in Note 10 of the Basic Financial Statements.

**Economic Factors and Next Year’s Budgets and Rates**

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- The unemployment rate in the Raleigh-Cary Metropolitan area in which the county is located was 7.7 percent at June 30, 2012, compared with 7.8 percent at the end of the previous fiscal year.
- The County has an eight year revaluation cycle for residential property. In the most recent revaluation at January 1, 2008 that was effective for fiscal year 2009, the total assessed value of property in the County continued to increase, although at a slower pace than experienced in the recent past. From fiscal year 2011 through fiscal year 2012, the total assessed value increased from \$119.5 billion to \$120.5 billion, an increase of .85 percent.
- Sales tax collections increased to \$120.8 million for the fiscal year ended June 30, 2012 from \$114.0 million in the prior fiscal year, a 6 percent increase. Likewise, property tax collections were up for the fiscal year by 1.5 percent over last year’s collections and exceeded the amount budgeted by the County by \$7 million. Occupancy and prepared food and beverage taxes collections increased from the 2011 fiscal year by \$2.8 million or 8.3 percent.
- Example County continues to grow but at a much slower rate than in the recent past, adding an estimated 15,000 to its population over the past year and 3,690 new children to its public school system.

- The average yield on investments was 1.12 percent for fiscal year 2012, compared to 1.27 percent for fiscal year 2011. As in prior years, the County has continued to utilize detailed cash flow planning which has allowed us to keep cash invested until it was needed for expenditure, maximizing the maturity on our investments and our earnings on our portfolio. The County realized investment earnings on all funds of \$6.5 million for the fiscal year ended June 30, 2012, on an average portfolio balance of more than \$583 million. This compares to 2011 earnings of \$7.3 million on an average portfolio balance of more than \$564 million.
- While the yield on investments continued to fall significantly during FY 2012, this low rate remained offset by historically low interest costs for the County's variable rate portfolio. The variable rate is reset weekly by the remarketing agent based on the minimum rate of interest necessary to enable the remarketing agent to remarket all of the weekly rate bonds in the secondary market. The rate ranged from 0.05 percent to 0.23 percent during the period July 1, 2011 through June 30, 2012. Lower costs in this portion of the County's portfolio helped offset lower investment earnings because the County's unrestricted interest earnings are budgeted and posted in the Debt Service Fund.

Some of these factors and others were considered when management prepared Example County's budget ordinance for the 2013 fiscal year.

### **Budget Highlights for the Fiscal Year Ending June 30, 2013**

**.14** *Governmental Activities:* The County approved an original budget of \$933.5 million for the General Fund budget for fiscal year 2013, which represents a \$13.6 million decrease over the original budget adopted for the fiscal year 2012 of \$952.1 million. The General Fund budget for 2013 is \$13.6 million lower than the prior year's budget because it reflects a realignment of fiscal resources due to the mental health merger with Durham County. While the total budget declined for fiscal year 2013, the budget included an additional \$22 million in new revenues over the prior year budget. The recommended budget for fiscal year 2012 continued to maintain the current tax rate of 53.4. The 2013 original budget did not include any appropriation of fund balance. In the General Fund, original budgeted expenditures for Education funding increased by \$4.1 million to a total of \$334.5 million from the prior fiscal year's adopted budget. This increase is shared by the Example County Public School System and Example Technical Community College. The County also funded an additional \$5.9 million for criminal justice and public safety, including \$2.1 million for the first full year of operations at an expanded jail facility, \$1.1 million in operating funds related to a new justice center scheduled to open in June 2013, and \$2.1 million for additional EMS expenditures. In addition, County employees received a performance pay increase averaging 2 percent of salary levels.

*Business-type Activities:* For the 2013 fiscal year, the County's budgeted amounts were broken out into two funds, the Solid Waste Management Fund and the South Example Landfill Partnership Fund. The total amount budgeted for business-type activities for fiscal year 2013 is substantially the same as the amount adopted for FY 2012.

### **Requests for Information**

**.15** This report is designed to provide a general overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Deputy County Manager/Chief Financial Officer, Wake County, North Carolina, 336 Fayetteville Street, Raleigh, NC 27602. Additional information concerning Wake County can also be obtained by referring to the county's website at [www.wakegov.com](http://www.wakegov.com). Copies of financials statements and additional information concerning the Wake County Board of Alcoholic Control, a discretely presented component unit of the county, may be obtained at 1212 Wicker Drive, Raleigh, NC 27604.



# Basic Financial Statements

## Government-wide Financial Statements

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### EXAMPLE COUNTY, NORTH CAROLINA STATEMENT OF NET ASSETS As of June 30, 2012

#### ASSETS

	Primary Government		Total	Component Unit Board of Alcoholic Control
	Governmental Activities	Business-type Activities		
Cash and investments—pooled equity	\$484,583,943	\$34,149,865	\$518,733,808	\$—
Cash and investments—reserved	3,784,555	16,902,976	20,687,531	—
Cash and investments—cash equivalents	1,053,361	750	1,054,111	16,238,952
Taxes receivable (net)	7,878,101	—	7,878,101	—
Accounts receivable (net)	79,888,569	2,908,583	82,797,152	4,553
Loans receivable	24,952,484	—	24,952,484	—
Accrued interest receivable	1,224,158	143,323	1,367,481	—
Prepaid items	4,126,947	—	4,126,947	—
Internal balances	6,181	(6,181)	—	—
Inventories	533,356	—	533,356	6,525,462
Net pension asset	708,960	—	708,960	—
Bond issuance costs	1,759,119	—	1,759,119	—
Deferred outflow of resources	128,531	—	128,531	—
Restricted assets:				
Cash and investments—cash equivalents with fiscal agent	282,295,751	—	282,295,751	—
Capital assets not being depreciated:				
Land	110,138,651	1,875,253	112,013,904	7,919,552
Construction in progress	243,688,162	—	243,688,162	—
Capital assets (net of accumulated depreciation):				
Landfills	—	8,226,645	8,226,645	—
Buildings	258,599,018	767,654	259,366,672	7,471,499
Improvements	18,610,167	357,150	18,967,317	154,201

(continued)

	Primary Government		Component Unit
	Governmental Activities	Business-type Activities	
Machinery and equipment	3,314,414	530,525	775,192
Vehicles and motorized equipment	11,665,952	—	20,666
Computer software	9,978,797	—	—
Infrastructure	11,112,915	—	—
Total assets	<u>1,560,032,092</u>	<u>65,856,543</u>	<u>39,110,077</u>
Total capital assets	<u>667,108,076</u>	<u>11,757,227</u>	<u>16,341,110</u>

The notes to the financial statements are an integral part of this statement.

EXAMPLE COUNTY, NORTH CAROLINA  
STATEMENT OF NET ASSETS (continued)  
As of June 30, 2012

	Primary Government		Component Unit
	Governmental Activities	Business-type Activities	Board of Alcoholic Control
	Total		
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$62,022,164	\$4,201,497	\$9,929,500
Due to other governmental units	16,708,248	—	—
Accrued interest payable	25,292,471	—	—
Unearned revenues	6,187,766	380	—
Housing loan deferred revenue	24,725,441	—	—
Derivative liability	128,531	—	—
Long term liabilities:			
Amounts due within one year:			
Capital leases	50,789	—	—
General obligation bonds—schools	112,684,560	—	—
General obligation bonds—other	17,275,440	—	—
Limited obligation bonds	12,140,000	—	—
Quality zoning academic bonds	163,461	—	—
Installment purchases	1,316,954	—	—
Compensated absences payable	8,200,000	28,000	—
Closure/post closure costs	—	575,000	—
Risk management liabilities	5,899,626	3,336	—
Amounts due beyond one year:			
Capital leases	81,238	—	—
General obligation bonds—schools	1,610,721,356	—	—
General obligation bonds—other	193,988,017	—	—
Limited obligation bonds	304,770,261	—	—
Quality zoning academic bonds	653,850	—	—
Installment purchases	4,376,767	—	—
Other post employment benefits	65,306,978	327,065	1,222,516
Compensated absences payable	3,267,925	37,944	—
Construction reserves	—	1,817,130	—
Closure/post closure costs	—	15,851,769	—
			(continued)

	Primary Government		Component Unit
	Governmental Activities	Business-type Activities	
Risk management liabilities	1,694,568	—	1,694,568
Total liabilities	2,477,656,411	22,842,121	2,500,498,532
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	341,795,093	11,757,227	353,552,320
Restricted for:			
Stabilization by state statute	193,320,701	1,849,098	195,169,799
Register of deeds automation	310,538	—	310,538
White goods	—	2,184,917	2,184,917
Working capital	—	—	—
Unrestricted (See Note 1.P)	(1,453,050,651)	27,223,180	(1,425,827,471)
Total net assets (deficit)	\$(917,624,319)	\$43,014,422	\$(874,609,897)
			\$27,958,061

The notes to the financial statements are an integral part of this statement.

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**EXAMPLE COUNTY, NORTH CAROLINA**  
**STATEMENT OF ACTIVITIES**  
**As of June 30, 2012**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total	Board of Alcoholic Control	
<b>FUNCTIONS/PROGRAMS</b>								
<b>Primary Government:</b>								
Governmental activities:								
General administration	\$59,589,399	\$7,396,357	\$3,365,340	\$(48,827,702)	\$—	\$(48,827,702)		
Human services	235,196,110	25,935,891	119,719,778	(89,540,441)	—	(89,540,441)		
Education	467,744,519	—	13,961,465	(453,783,054)	—	(453,783,054)		
Community development and cultural	72,248,767	9,524,859	2,002,578	(60,721,330)	—	(60,721,330)		
Environmental services	12,948,713	1,647,646	329,287	(10,971,780)	—	(10,971,780)		
Public safety	181,695,236	29,494,441	3,084,164	(149,116,631)	—	(149,116,631)		
General services administration	21,913,044	2,515,414	11,100	(19,386,530)	—	(19,386,530)		
Interest on long-term debt	76,490,672	—	—	(76,490,672)	—	(76,490,672)		
<b>Total governmental activities</b>	<u>1,127,826,460</u>	<u>76,514,608</u>	<u>142,473,712</u>	<u>(908,838,140)</u>	<u>—</u>	<u>(908,838,140)</u>		
Business-type activities:								
Solid Waste	23,721,550	22,322,650	1,688,916	—	290,016	290,016		
<b>Total primary government</b>	<u>\$1,151,548,010</u>	<u>\$98,837,258</u>	<u>\$144,162,628</u>	<u>(908,838,140)</u>	<u>290,016</u>	<u>(908,548,124)</u>		

(continued)

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government			
				Governmental Activities	Business-type Activities	Total	
<b>Component unit:</b> Board of Alcoholic Control	<u>\$70,820,719</u>	<u>\$68,215,120</u>	<u>\$—</u>				<u>\$(2,605,599)</u>
General revenues:							
Property taxes				666,196,637	—	666,196,637	—
Sales taxes				120,834,877	—	120,834,877	—
Occupancy and prepared food taxes				35,814,980	—	35,814,980	—
Other taxes				8,640,999	—	8,640,999	—
Grants and contributions not restricted to specific programs				9,500,462	—	9,500,462	—
Unrestricted investment earnings				3,778,383	323,376	4,101,759	27,371
Other				428,639	1,817,578	2,246,217	5,479
Total general revenues				845,194,977	2,140,954	847,335,931	32,850
Transfers				404,000	(404,000)	—	—
Total general revenues and transfers				845,598,977	1,736,954	847,335,931	32,850
Change in net assets				(63,239,163)	2,026,970	(61,212,193)	(2,572,749)
Net assets (deficit), beginning of year				(854,385,156)	40,987,452	(813,397,704)	30,530,810
Net assets (deficit), end of year				<u>\$(917,624,319)</u>	<u>\$43,014,422</u>	<u>\$(874,609,897)</u>	<u>\$27,958,061</u>

The notes to the financial statements are an integral part of this statement.

Fund Financial Statements

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EXAMPLE COUNTY, NORTH CAROLINA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
As of June 30, 2012

Illustrative Financial Statements

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	Major Funds					Nonmajor Funds		Total Governmental Funds
	General Fund	Affordable Housing Fund	Major Facilities Fund	Debt Service Fund	County Capital Projects Fund	School Capital Fund	Other Governmental Funds	
ASSETS								
Cash and investments—pooled equity	\$147,808,223	\$5,651,425	\$4,588,150	\$136,190,604	\$36,687,299	\$114,366,195	\$35,752,683	\$481,044,579
Cash and investments—cash equivalents	1,052,712	50	600	—	—	—	—	1,053,362
Cash and investments—restricted	3,784,555	—	—	25,690,427	83,191,793	153,635,243	19,778,288	286,080,306
Taxes receivable (net)	7,643,014	—	—	—	—	—	235,087	7,878,101
Accounts receivable (net)	64,057,902	332,543	3,128,353	3,056,946	5,532,193	2,699,805	1,058,817	79,866,559
Prepaid expenditures	585,016	153,466	—	3,388,465	—	—	—	4,126,947
Loans receivable	—	24,725,441	—	—	227,043	—	—	24,952,484
Accrued interest receivable	21,731	433	13,140	1,079,027	—	37,758	61,668	1,213,757
Inventories	329,670	—	—	—	—	—	—	329,670
TOTAL ASSETS	\$225,282,823	\$30,863,358	\$7,730,243	\$169,405,469	\$125,638,328	\$270,739,001	\$56,886,543	\$886,545,765

(continued)

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General Fund	Affordable Housing Fund	Major Facilities Fund	Debt Service Fund	County Capital Projects Fund	School Capital Fund	Other Governmental Funds	
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable and accrued liabilities	\$35,253,810	\$159,922	\$6,199,481	\$59,119	\$18,122,218	\$104,316	\$4,530,032	\$64,428,898
Due to other governmental units	177,706	—	—	—	—	16,530,542	—	16,708,248
Deferred revenues	14,153,063	24,725,441	—	—	5,995,794	713,618	331,942	45,919,858
Total Liabilities	49,584,579	24,885,363	6,199,481	59,119	24,118,012	17,348,476	4,861,974	127,057,004

The notes to the financial statements are an integral part of this statement.



EXAMPLE COUNTY, NORTH CAROLINA  
BALANCE SHEET  
GOVERNMENTAL FUNDS (continued)  
As of June 30, 2012

	Major Funds					Nonmajor Funds		Total Governmental Funds
	Affordable Housing Fund	Major Facilities Fund	Debt Service Fund	County Capital Projects Fund	School Capital Fund	Other Governmental Funds		
Fund Balances:								
Non-spendable:								
Inventories	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$329,670
Noncurrent receivable	—	—	—	—	—	—	—	350,409
Restricted:								
Stabilization by state statute	5,977,995	1,530,762	7,524,438	49,394,836	63,271,034	2,891,252	—	192,167,777
Register of deeds automation	—	—	—	—	—	—	—	310,538
Committed:								
Revaluation reserve	—	—	—	—	—	—	—	3,468,905
Working capital	—	—	—	—	—	2,830,720	—	112,460,380
Assigned:								
Planned expenditures	—	—	25,071,826	45,249,978	172,979,955	34,588,702	—	277,922,063
Future capital projects	—	—	—	6,875,502	17,139,536	11,713,895	—	35,728,933
Debt service	—	—	136,750,086	—	—	—	—	136,750,086
Total Fund Balances	<u>175,698,244</u>	<u>1,530,762</u>	<u>169,346,350</u>	<u>101,520,316</u>	<u>253,390,525</u>	<u>52,024,569</u>	<u>—</u>	<u>759,488,761</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$225,282,823</u>	<u>\$7,730,243</u>	<u>\$169,405,469</u>	<u>\$125,638,328</u>	<u>\$270,739,001</u>	<u>\$56,886,543</u>	<u>—</u>	<u>\$886,545,765</u>

The notes to the financial statements are an integral part of this statement.

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**EXAMPLE COUNTY, NORTH CAROLINA**  
**Reconciliation of the Balance Sheet to the Statement of Net Assets**  
**As of June 30, 2012**

Fund balances—Governmental Funds	\$759,488,761
<b>Amounts reported for governmental activities in the Statement of Net Assets are different because:</b>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds less assets related to the Corporate Fleet Internal Service Fund.	658,424,302
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	15,715,609
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(2,362,883,573)
An internal service fund is used by management to charge the costs of fleet to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	<u>11,630,582</u>
Net assets (deficit) of governmental activities	<u><u>\$(917,624,319)</u></u>

The notes to the financial statements are an integral part of this statement.

**EXAMPLE COUNTY, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2012**  
*Major Funds*

	<i>General Fund</i>	<i>Affordable Housing Fund</i>	<i>Major Facilities Fund</i>	<i>Debt Service Fund</i>	<i>County Capital Projects Fund</i>	<i>School Capital Fund</i>	<i>Total Nonmajor Funds</i>	<i>Total Governmental Funds</i>
<b>REVENUES:</b>								
Taxes	\$776,440,214	\$—	\$35,781,709	\$—	\$762	\$—	\$20,418,006	\$832,640,691
Intergovernmental	119,334,660	4,034,128	—	13,972,423	2,943,889	—	11,700,031	151,985,131
Charges for services	65,471,200	363,674	—	—	1,146,255	—	5,583,923	72,565,052
Fines and forfeitures	—	—	—	—	—	—	1,745	1,745
Licenses and permits	3,413,382	—	—	—	—	—	—	3,413,382
Investment earnings	40,237	—	35,714	3,484,159	—	83,438	121,885	3,765,433
Miscellaneous	360,173	—	—	—	—	—	63,827	424,000
<b>Total Revenues</b>	<b>965,059,866</b>	<b>4,397,802</b>	<b>35,817,423</b>	<b>17,456,582</b>	<b>4,090,906</b>	<b>83,438</b>	<b>37,889,417</b>	<b>1,064,795,434</b>

**EXPENDITURES:**

<b>Current:</b>								
General administration	44,742,003	—	—	308,604	11,989,342	—	61,653	57,101,602
Human services	211,029,938	5,701,224	—	—	—	—	9,487,914	226,219,076
Education	330,402,642	—	—	—	—	98,426,943	38,558,463	467,388,048
Community development and cultural	25,224,320	—	32,899,924	—	10,370,636	—	555,279	69,050,159
Environmental services	7,643,371	—	—	—	4,457,344	—	51,898	12,152,613
Public safety	101,049,020	—	—	—	86,993,046	—	21,141,311	209,183,377
General services administration	21,081,514	—	—	—	—	—	9,367	21,090,881

(continued)

	Major Funds							Total Nonmajor Funds	Total Governmental Funds
	General Fund	Affordable Housing Fund	Major Facilities Fund	Debt Service Fund	County Capital Projects Fund	School Capital Fund			
Debt service:									
Principal	—	—	—	164,498,331	—	—	—	164,498,331	
Interest	—	—	—	88,561,925	—	—	—	88,561,925	
Total Expenditures	<u>741,172,808</u>	<u>5,701,224</u>	<u>32,899,924</u>	<u>253,368,860</u>	<u>113,810,368</u>	<u>98,426,943</u>	<u>69,865,885</u>	<u>1,315,246,012</u>	
REVENUES OVER (UNDER) EXPENDITURES	<u>223,887,058</u>	<u>(1,303,422)</u>	<u>2,917,499</u>	<u>(235,912,278)</u>	<u>(109,719,462)</u>	<u>(98,343,505)</u>	<u>(31,976,468)</u>	<u>(250,450,578)</u>	

The notes to the financial statements are an integral part of this statement.

**EXAMPLE COUNTY, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS (continued)**  
**For the Year Ended June 30, 2012**

	<i>Major Funds</i>							
	<i>Affordable Housing Fund</i>	<i>Major Facilities Fund</i>	<i>Debt Service Fund</i>	<i>County Capital Projects Fund</i>	<i>School Capital Fund</i>	<i>Total Nonmajor Funds</i>	<i>Total Governmental Funds</i>	
<i>General Fund</i>								
OTHER FINANCING SOURCES (USES):								
Transfers in	\$830,000	\$—	\$222,893,960	\$25,556,000	\$—	\$5,183,000	\$256,643,030	
Transfers out	—	(3,064,452)	—	(4,770,000)	(36,663,960)	(3,585,618)	(257,912,346)	
Bonds issued	—	—	—	—	96,790,000	—	96,790,000	
Refunded bonds issued	—	—	75,290,000	—	—	—	75,290,000	
Premiums on issuance	—	—	34,925,590	—	—	—	34,925,590	
Payment to refunded bond escrow agent	—	—	(94,006,298)	—	—	—	(94,006,298)	
Capital leases, notes payable and installment purchases	7,573	—	—	—	—	—	7,573	
Total Other Financing Sources (Uses)	<u>830,000</u>	<u>(3,064,452)</u>	<u>239,103,252</u>	<u>20,786,000</u>	<u>60,126,040</u>	<u>1,597,382</u>	<u>111,737,549</u>	
NET CHANGE IN FUND BALANCES	16,246,385	(473,422)	3,190,974	(88,933,462)	(38,217,465)	(30,379,086)	(138,713,029)	
Fund Balances at beginning of year	159,451,859	6,451,417	166,155,376	190,453,778	291,607,990	82,403,655	898,201,790	
FUND BALANCES AT END OF YEAR	<u>\$175,698,244</u>	<u>\$5,977,995</u>	<u>\$169,346,350</u>	<u>\$101,520,316</u>	<u>\$253,390,525</u>	<u>\$52,024,569</u>	<u>\$759,488,761</u>	

The notes to the financial statements are an integral part of this statement.

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**EXAMPLE COUNTY, NORTH CAROLINA**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2012**

Amounts reported for governmental activities in the statement of activities are different because:

<b>Net change in fund balances—total governmental funds</b>	<b>\$(138,713,029)</b>
---	------------------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays increases exceeded the capital asset decreases in the current fiscal year.	44,412,414
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Depreciation expense for the fiscal year being reported, less depreciation in Corporate Fleet fund.	(15,072,505)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	45,842,409
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(905,714)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(185,814)
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An internal service fund is used by management to charge the costs of the County's fleet of vehicles to individual funds. The net revenue of the internal service fund is reported within the governmental activities.	<u>1,383,076</u>
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<b>Change in net assets of governmental activities</b>	<b><u><u>\$(63,239,163)</u></u></b>
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The notes to the financial statements are an integral part of this statement.

**EXAMPLE COUNTY, NORTH CAROLINA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES— BUDGET AND ACTUAL  
For the Year Ended June 30, 2012**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget—Positive (Negative)</i>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES:</b>				
Taxes	\$755,348,421	\$759,044,607	\$776,440,214	\$17,395,607
Licenses and permits	3,048,564	3,048,564	3,413,382	364,818
Intergovernmental	124,248,814	123,082,348	119,334,660	(3,747,688)
Charges for services	66,634,169	65,118,800	65,471,200	352,400
Investment earnings	39,754	39,754	40,237	483
Miscellaneous	428,034	428,034	360,173	(67,861)
Total Revenues	949,747,756	950,762,107	965,059,866	14,297,759
<b>EXPENDITURES:</b>				
Current:				
General administration	42,631,726	46,753,902	44,734,430	2,019,472
Human services	214,143,720	213,405,177	211,029,938	2,375,239
Education	330,402,642	330,402,642	330,402,642	—
Community development and cultural	25,709,071	25,794,841	25,224,320	570,521
Environmental services	7,849,575	7,960,633	7,643,371	317,262
General services administration	21,496,357	21,561,631	21,081,514	480,117
Public safety	100,861,909	102,260,311	101,049,020	1,211,291
Total Expenditures	743,095,000	748,139,137	741,165,235	6,973,902
<b>REVENUES OVER EXPENDITURES</b>	206,652,756	202,622,970	223,894,631	21,271,661
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	2,249,000	2,199,618	2,180,070	(19,548)
Transfers out	(209,005,000)	(209,828,316)	(209,828,316)	—
Total Other Financing Sources (Uses)	(206,756,000)	(207,628,698)	(207,648,246)	(19,548)
				<i>(continued)</i>

	Budgeted Amounts		Actual	Variance with Final Budget—Positive (Negative)
	Original	Final		
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(103,244)	(5,005,728)	16,246,385	21,252,113
APPROPRIATED FUND BALANCE	<u>103,244</u>	<u>5,005,728</u>	—	<u>(5,005,728)</u>
REVENUES, OTHER FINANCING SOURCES, AND APPROPRIATED FUND BALANCE UNDER EXPENDITURES AND OTHER USES	<u>\$—</u>	<u>\$—</u>	16,246,385	<u>\$16,246,385</u>
FUND BALANCE AT BEGINNING OF YEAR			159,451,859	
LESS: EXPENDITURES ASSOCIATED WITH INCEPTION OF NOTE PAYABLES			(7,573)	
ADD: PROCEEDS OF NOTE PAYABLES			<u>7,573</u>	
TOTAL CAPITAL LEASE INCEPTIONS			—	
FUND BALANCE AT END OF YEAR			<u>\$175,698,244</u>	

The notes to the financial statements are an integral part of this statement.



EXAMPLE COUNTY, NORTH CAROLINA  
MAJOR FACILITIES FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN APPROPRIATED FUND BALANCE—BUDGET AND ACTUAL  
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget—Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Occupancy tax	\$14,703,000	\$16,588,983	\$16,223,684	\$(365,299)
Prepared food tax	18,448,734	19,830,253	19,558,025	(272,228)
Total taxes	33,151,734	36,419,236	35,781,709	(637,527)
Investment earnings	—	—	35,714	35,714
Total Revenues	33,151,734	36,419,236	35,817,423	(601,813)
EXPENDITURES:				
Raleigh hold harmless—occupancy	680,000	680,000	679,956	44
Cary hold harmless—occupancy	713,085	804,556	786,849	17,707
Greater Raleigh Convention and Visitors Bureau	3,812,676	4,270,029	4,181,493	88,536
Centennial Authority operations 7%	1,934,182	2,117,616	2,081,794	35,822
Centennial—Debt service	5,207,756	5,207,756	5,205,189	2,567
Raleigh annual distribution—\$1M	1,000,000	1,000,000	1,000,000	—
Convention Center	14,295,301	16,366,987	15,964,643	402,344
North Carolina Museum of Art	1,000,000	1,000,000	1,000,000	—
Centennial Authority Facility				
Improvements	1,000,000	1,000,000	1,000,000	—
Green Square	900,000	900,000	900,000	—
St. Augustine’s	100,000	100,000	100,000	—
Total Expenditures	30,643,000	33,446,944	32,899,924	547,020
REVENUES OVER EXPENDITURES	2,508,734	2,972,292	2,917,499	(54,793)

(continued)

	Budgeted Amounts		Actual	Variance with Final Budget—Positive (Negative)
	Original	Final		
<b>OTHER FINANCING SOURCES AND (USES):</b>				
Transfers out to General Fund	(995,000)	(1,093,000)	(1,073,452)	19,548
Transfers out to Debt Service Fund	(991,000)	(991,000)	(991,000)	—
Transfers out to Capital Improvement Fund	(1,000,000)	(1,000,000)	(1,000,000)	—
Appropriated fund balance	477,266	111,708	—	(111,708)
Total other financing sources (uses)	<u>(2,508,734)</u>	<u>(2,972,292)</u>	<u>(3,064,452)</u>	<u>(92,160)</u>
<b>REVENUES UNDER EXPENDITURES AND OTHER FINANCING USES</b>	<u>\$—</u>	<u>\$—</u>	(146,953)	<u><u>\$(146,953)</u></u>
Fund Balance at beginning of year			1,677,715	
<b>FUND BALANCE AT END OF YEAR</b>			<u><u>\$1,530,762</u></u>	

The notes to the financial statements are an integral part of this statement.

**EXAMPLE COUNTY, NORTH CAROLINA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
As of June 30, 2012**

	<i>Business-type Activities</i>				<i>Governmental Activities</i>
	<i>Enterprise</i>			<i>Total Business-type Activities</i>	<i>Internal Service</i>
	<i>Major Funds</i>		<i>South Example Landfill Partnership Fund</i>		
	<i>Solid Waste Operating Fund</i>	<i>Operating Fund</i>	<i>Operating Fund</i>	<i>Operating Fund</i>	<i>Operating Fund</i>
<b>ASSETS</b>					
Current assets:					
Cash and investments—pooled equity	\$31,188,288	\$2,961,577	\$2,961,577	\$34,149,865	\$3,539,364
Cash and investments—reserved	10,089,412	6,813,564	6,813,564	16,902,976	—
Cash and investments—cash equivalents	—	750	750	750	—
Accounts receivable (net)	751,234	2,157,349	2,157,349	2,908,583	22,009
Internal balances (interfund receivable)	170,035	243,940	243,940	413,975	—
Accrued interest receivable	115,495	27,828	27,828	143,323	10,401
Inventories	—	—	—	—	203,686
Total current assets	<u>42,314,464</u>	<u>12,205,008</u>	<u>12,205,008</u>	<u>54,519,472</u>	<u>3,775,460</u>
Noncurrent assets:					
Capital assets not being depreciated:					
Land	1,875,253	—	—	1,875,253	—
Capital assets (net of accumulated depreciation):					
Landfills	8,226,645	—	—	8,226,645	—
Buildings	767,654	—	—	767,654	—
Machinery and equipment	530,525	—	—	530,525	177,300
Vehicles	—	—	—	—	8,506,474
Improvements	357,150	—	—	357,150	—
Total noncurrent assets	<u>11,757,227</u>	<u>—</u>	<u>—</u>	<u>11,757,227</u>	<u>8,683,774</u>
Total assets	<u>54,071,691</u>	<u>12,205,008</u>	<u>12,205,008</u>	<u>66,276,699</u>	<u>12,459,234</u>

(continued)

	Business-type Activities			Governmental Activities
	Enterprise		Total Business-type Activities	Internal Service
	Major Funds	South Example Landfill Partnership Fund		
Solid Waste Operating Fund			Corporate Fleet Fund	
	1,324,282	2,877,215	4,201,497	539,546
	243,940	170,035	413,975	—
	380	—	380	—
	<u>1,568,602</u>	<u>3,047,250</u>	<u>4,615,852</u>	<u>539,546</u>
	63,005	2,939	65,944	52,468
	240,996	86,069	327,065	240,995
	2,939	397	3,336	1,824
	—	1,817,130	1,817,130	—
	10,089,412	6,337,357	16,426,769	—
	<u>10,396,352</u>	<u>8,243,892</u>	<u>18,640,244</u>	<u>295,287</u>
	<u>11,964,954</u>	<u>11,291,142</u>	<u>23,256,096</u>	<u>834,833</u>
	11,757,227	—	11,757,227	8,683,774
	1,416,412	432,686	1,849,098	1,152,924
	2,184,917	—	2,184,917	—
	26,748,181	481,180	27,229,361	1,787,703
	<u>\$42,106,737</u>	<u>\$913,866</u>	<u>\$43,020,603</u>	<u>\$11,624,401</u>
				(continued)
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued liabilities				
Internal balances (interfund payable)				
Unearned revenues				
Total current liabilities				
Noncurrent liabilities:				
Compensated absences				
Other post employment benefits				
Risk management liabilities				
Construction reserves				
Closure/postclosure care costs				
Total noncurrent liabilities				
Total liabilities				
<b>NET ASSETS</b>				
Invested in capital assets				
Restricted:				
Stabilization by state statute				
White goods				
Unrestricted				
Total net assets				

	Business-type Activities			Governmental Activities
	Major Funds	Enterprise	Total Business-type Activities	Internal Service
	<i>Solid Waste Operating Fund</i>	<i>South Example Landfill Partnership Fund</i>		<i>Corporate Fleet Fund</i>
Total net assets	\$42,106,737	\$913,866	\$43,020,603	
Adjustment to reflect the consolidation of the Corporate Fleet Fund balances related to Solid Waste	(6,181)	—	(6,181)	
Net assets of business-type activities	\$42,100,556	\$913,866	\$43,014,422	

The notes to the financial statements are an integral part of this statement.

**EXAMPLE COUNTY, NORTH CAROLINA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2012**

	<i>Business-type Activities</i>			<i>Governmental Activities</i>
	<i>Enterprise</i>		<i>Total Business-type Activities</i>	<i>Internal Service</i>
	<i>Major Funds</i>	<i>South Example Landfill Partnership Fund</i>		
	<i>Solid Waste Operating Fund</i>			
<b>OPERATING REVENUES:</b>				
Charges for services	\$7,497,654	\$14,824,996	\$22,322,650	\$8,431,825
Miscellaneous	1,817,578	—	1,817,578	72,973
Total Operating Revenues	<u>9,315,232</u>	<u>14,824,996</u>	<u>24,140,228</u>	<u>8,504,798</u>
<b>OPERATING EXPENSES:</b>				
Cost of service	8,677,257	10,434,883	19,112,140	4,314,497
Administration	1,368,774	467,512	1,836,286	1,123,870
Partner rebates	—	2,166,780	2,166,780	—
Depreciation and amortization	603,494	—	603,494	3,373,150
Total Operating Expenses	<u>10,649,525</u>	<u>13,069,175</u>	<u>23,718,700</u>	<u>8,811,517</u>
<b>OPERATING INCOME (LOSS)</b>	<b>(1,334,293)</b>	<b>1,755,821</b>	<b>421,528</b>	<b>(306,719)</b>
<b>NON-OPERATING REVENUES:</b>				
Intergovernmental	1,688,916	—	1,688,916	—
Investment earnings	257,707	65,669	323,376	13,629
Total Non-Operating Revenues	<u>1,946,623</u>	<u>65,669</u>	<u>2,012,292</u>	<u>13,629</u>
Income (loss) before transfers	612,330	1,821,490	2,433,820	(293,090)

*(continued)*

	Business-type Activities			Governmental Activities
	Enterprise		Total Business-type Activities	Internal Service
	Major Funds	South Example Landfill Partnership Fund		
	Solid Waste Operating Fund		Corporate Fleet Fund	
TRANSFERS:				
Transfers in	852,000	—	852,000	1,673,316
Transfers out	(404,000)	(852,000)	(1,256,000)	—
Total Transfers	<u>448,000</u>	<u>(852,000)</u>	<u>(404,000)</u>	<u>1,673,316</u>
CHANGE IN NET ASSETS	1,060,330	969,490	2,029,820	1,380,226
TOTAL NET ASSETS, BEGINNING OF YEAR	<u>41,046,407</u>	<u>(55,624)</u>	<u>40,990,783</u>	<u>10,244,175</u>
TOTAL NET ASSETS, END OF YEAR	<u>\$42,106,737</u>	<u>\$913,866</u>	<u>\$43,020,603</u>	<u>\$11,624,401</u>
Change in net assets	\$1,060,330	\$969,490	\$2,029,820	
Adjustment to reflect the consolidation of the Corporate Fleet Fund activities related to Solid waste	<u>(2,850)</u>	—	<u>(2,850)</u>	
Change in net assets of business-type activities	<u>\$1,057,480</u>	<u>\$969,490</u>	<u>\$2,026,970</u>	

The notes to the financial statements are an integral part of this statement.

**EXAMPLE COUNTY, NORTH CAROLINA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2012**

	<i>Business-type Activities</i>			<i>Governmental Activities</i>
	<i>Enterprise</i>		<i>Total Business-type Activities</i>	<i>Internal Service</i>
	<i>Major Funds</i>	<i>South Example Landfill Partnership Fund</i>		
	<i>Solid Waste Operating Fund</i>		<i>Corporate Fleet Fund</i>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers	\$7,451,809	\$14,137,205	\$21,589,014	\$8,426,156
Cash payments to suppliers for goods and services	(8,897,795)	(12,922,504)	(21,820,299)	(4,161,035)
Cash payments to employees for services	(916,794)	(230,387)	(1,147,181)	(867,930)
Other operating revenues	1,817,578	—	1,817,578	72,973
Net cash provided (used) by operating activities	<u>(545,202)</u>	<u>984,314</u>	<u>439,112</u>	<u>3,470,164</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Intergovernmental revenue	1,669,842	—	1,669,842	—
Transfers in	852,000	—	852,000	1,673,316
Transfers out	(404,000)	(852,000)	(1,256,000)	—
Net cash provided (used) by noncapital financing activities	<u>2,117,842</u>	<u>(852,000)</u>	<u>1,265,842</u>	<u>1,673,316</u>

*(continued)*



	Business-type Activities			Governmental Activities
	Enterprise		Total Business-type Activities	Internal Service
	Major Funds	South Example Landfill Partnership Fund		
Solid Waste Operating Fund			Corporate Fleet Fund	
	—	—	—	301,406
	<u>(380,085)</u>	<u>—</u>	<u>(380,085)</u>	<u>(3,086,025)</u>
	<u>(380,085)</u>	<u>—</u>	<u>(380,085)</u>	<u>(2,784,619)</u>
	<u>293,708</u>	<u>74,351</u>	<u>368,059</u>	<u>7,703</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Disposal of capital assets  
 Acquisition of capital assets  
 Net cash used by capital and related financing activities

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest received on investments

The notes to the financial statements are an integral part of this statement.

EXAMPLE COUNTY, NORTH CAROLINA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS (continued)  
For the Year Ended June 30, 2012

	Business-type Activities			Governmental Activities
	Enterprise		Total Business-type Activities	Internal Service
	Major Funds	South Example Landfill Partnership Fund		
	Solid Waste Operating Fund		Corporate Fleet Fund	
Net increase in cash and cash equivalents	\$1,486,263	\$206,665	\$1,692,928	\$2,366,564
Cash and cash equivalents at beginning of year	39,791,437	9,569,226	49,360,663	1,172,800
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$41,277,700</u>	<u>\$9,775,891</u>	<u>\$51,053,591</u>	<u>\$3,539,364</u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)				
Adjustments to reconcile operating income/loss to net cash provided (used) by operating activities:				
Depreciation and amortization	\$1,334,293	\$1,755,821	\$421,528	\$(306,719)
Decrease in accounts receivable	603,494	—	603,494	3,373,150
Decrease in inventories	(45,846)	(687,791)	(733,637)	(5,669)
Increase/(decrease) in accounts payable and accrued liabilities	—	—	—	1,041
Total adjustments	231,443	(83,716)	147,727	408,361
	<u>789,091</u>	<u>(771,507)</u>	<u>17,584</u>	<u>3,776,883</u>
Net cash provided (used) by operating activities	<u>\$(545,202)</u>	<u>\$984,314</u>	<u>\$439,112</u>	<u>\$3,470,164</u>

The notes to the financial statements are an integral part of this statement.

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**EXAMPLE COUNTY, NORTH CAROLINA  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
As of June 30, 2012**

	<i>Separation Allowance</i>	<i>Agency Funds</i>
<b>ASSETS</b>		
Cash and investments—pooled equity	\$1,582,747	\$1,860,567
Accounts receivable (net)	135	13,086
Accrued interest receivable	4,442	3,955
Total assets	1,587,324	1,877,608
<b>LIABILITIES</b>		
Other liabilities	43,832	1,828,407
Due to other governmental units	—	49,201
Total liabilities	43,832	\$1,877,608
<b>NET ASSETS</b>		
Held in trust for pension benefits	\$1,543,492	

The notes to the financial statements are an integral part of this statement.

**EXAMPLE COUNTY, NORTH CAROLINA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**For the Year Ended June 30, 2012**

	<u>Separation Allowance</u>
Additions:	
Employer Contributions	\$746,830
Net investment income	<u>7,240</u>
Total additions	754,070
Deductions:	
Benefits	<u>1,050,568</u>
Net decrease	(296,498)
Net assets held in trust for pension benefits:	
Beginning of year	<u>1,839,990</u>
End of year	<u><u>\$1,543,492</u></u>

The notes to the financial statements are an integral part of this statement.

Notes to the Financial Statements

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EXAMPLE COUNTY, NORTH CAROLINA  
 INDEX TO THE NOTES TO THE FINANCIAL STATEMENTS  
 For the year ended June 30, 2012

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## NOTE 1. Summary of Significant Accounting Policies

.30 The County of Example (County) was established in 1771 by the North Carolina General Assembly under North Carolina State Law [General Statute (G.S.) 153A-10]. The County is governed by a seven-member board of commissioners and provides the following services: public safety, culture-recreation, human services programs, community development, environmental services, planning and zoning, employment and training, education and general administration.

The accounting policies of the County conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles in the United States. The following is a summary of the more significant accounting policies:

### A. Reporting Entity

.31 The County is one of the 100 counties established in North Carolina under State Law [G.S. 153A-10]. As required by GAAP, these financial statements present the County and its component unit, a legally separate entity for which the County is financially accountable. The discretely presented component unit below is reported in a separate column in the County's government-wide financial statements to emphasize that it is legally separate from the County.

#### Discretely Presented Component Unit Example County Board of Alcoholic Control (ABC Board)

The members of the ABC Board's governing board are appointed by the County Board of Commissioners. The ABC Board is required by State statute to distribute its surpluses to the General Fund of the County. The ABC Board has a June 30 year-end. The financial statement may be obtained at 1212 Wicker Drive, Raleigh, NC 27604.

### B. Government-wide and Fund Financial Statements

.32 The Statement of Net Assets and the Statement of Changes in Net Assets, which are the government-wide statements, report information on all of the nonfiduciary activities of the County and its component unit. Most of the interfund activity has been removed from these statements. The County's governmental activities, which are supported primarily by taxes and intergovernmental revenues, are reported separately from its business-type activities, which rely on charges for services for support. Likewise, the County is reported separately from the ABC Board, a legally separate component unit for which the County is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of specific functions are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges for services and grants or contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not properly included among program revenues, including all taxes, are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide statements. Major individual gov-

ernmental funds are included as separate columns in the fund financial statements. The proprietary funds distinguish operating revenues and expenses from nonoperating items. The operating items generally result from providing services in connection with the fund's principal ongoing operations. All revenues and expenses not meeting the operating criteria are reported as nonoperating items.

### *C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

.33 The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds which have no measurement focus. The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all the eligibility requirements imposed by the provider are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay the liabilities of the current period. Expenditures are recognized when a fund liability is incurred, if measurable, except for unmatured principal and interest on general long-term debt which are recognized when due.

In the governmental funds statements, property taxes, investment earnings and charges for services of the current fiscal period are susceptible to accrual and thus counted as revenue for the current fiscal period if received within 30 days of year-end. With the exception of sales tax distributions, revenues collected beyond 30 days after year end are not susceptible to accrual because generally they are either not available or not measurable until received in cash. Sales tax distributions are accrued and treated as revenue for the current fiscal period if received within 90 days of year-end.

The County reports the following major funds:

*General Fund*—The general fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes and federal and State grants. The primary expenditures are for education, human services, public safety, environmental, cultural and recreational services, community development, and general governmental services.

*Affordable Housing Fund*—The Affordable Housing fund provides housing rehabilitation, infrastructure improvements, and relocation assistance to households meeting eligibility requirements. These programs are funded with both County funds and federal grant moneys.

*Major Facilities Fund*—The Major Facilities Fund is for the collection and distribution of Prepared Food and Beverage and Occupancy Tax proceeds for the purpose of promoting tourism in Example County. Created by the North Carolina General Assembly in 1991 (Chapter 594 House Bill 703), the tax rate for Prepared Food and Beverage is currently one percent and the Occupancy rate is six percent. Revenues are distributed based on criteria established in the enabling legislation and an Interlocal Agreement approved by the City of Raleigh and Example County.

*Debt Service Fund*—The County budgets and pays debt service and related expenditures from this fund.

*County Capital Projects Fund*—The County Capital Projects Fund accounts for the acquisition of land and buildings by the County for general public purpose.

*School Capital Fund*—The School Capital Fund accounts for the construction and renovation of school building projects financed by County-issued bonds, various State grants, and other County funds.

*Solid Waste Operating Fund*—The Solid Waste Operating Fund accounts for the County's landfills, container sites, and recycling operations excluding the new South Example Landfill and the East

Example Transfer Station. The South Example Landfill and the East Example Transfer Station are accounted for in a separate enterprise fund.

*South Example Landfill Partnership Fund*—The South Example Landfill Partnership Fund accounts for one Subtitle D Landfill and the East Example Transfer Station. These facilities are operated in partnership with eleven other local governments within Example County through an Interlocal Agreement.

Additionally, the County reports the following fund and fund types:

*Internal Service Fund*—The County has one internal service fund: the Corporate Fleet Fund, which accounts for the fleet service needs of all County departments.

*Pension Trust Fund*—Pension trust funds are 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, or other postemployment benefit plans. The Separation Allowance Fund accounts for the Law Enforcement Officers' Special Separation Allowance, a single-employer, public employee retirement system.

*Agency Funds*—Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The County maintains four agency funds: the Municipal Tax Fund, which collects and disburses the taxes for municipalities in the County; the Human Services Fund, which accounts for moneys deposited with County departments for the benefit of certain individuals; the Fines and Forfeitures Fund, which accounts for moneys received from the Court System for disbursement to the Example County Public School System; and the DMV Interest Penalty Fund, which accounts for the three percent interest on the first month of delinquent motor vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that these standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The County has the option of following subsequent private-sector guidance for the business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

All funds of the County are accounted for during the year on the modified accrual basis of accounting in accordance with North Carolina General Statutes. The governmental funds are also reported using the modified accrual basis of accounting. The proprietary funds are reported using the full accrual basis of accounting.

The County recognizes assets of nonexchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized, on the modified accrual basis, when they are measurable and available. Nonexchange transactions occur when one government provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. Various intergovernmental revenues, sales taxes, property taxes and most donations are examples of nonexchange transactions.

Under the terms of grant agreements, the County funds certain programs by specific grants, resources and/or general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply grant resources to such programs and then general revenues.

#### ***D. Budgetary Data Control***

.34 In compliance with the North Carolina Local Government Budget and Fiscal Control Act, the Board of County Commissioners adopts an annual budget ordinance using the modified basis of accounting for all governmental and proprietary funds except funds authorized by project ordinances. The annual budget for



governmental funds and proprietary funds must be adopted no later than July 1. Agency and pension trust funds are not required by state law to be budgeted. All capital projects funds and special revenue funds other than the Special Tax District and the Major Facilities Funds are budgeted under project ordinances spanning more than one fiscal year and are controlled by project. Project appropriations continue until the projects are complete. The Debt Service Fund is also budgeted annually.

For those funds for which annual budgets are adopted, appropriations are budgeted and controlled on a functional basis and amended as necessary during the fiscal year. The County Manager is authorized to transfer budgeted amounts between appropriations within the same fund. However, any transfer exceeding \$75,000 shall be reported to the Board of County Commissioners at the next regularly scheduled meeting. Revisions that alter the total appropriations of any fund must be approved by the Board of County Commissioners. Annual appropriations lapse at the end of the budget year.

### ***E. Deposits and Investments***

.35 All deposits of the County are made in board-designated official depositories and are secured as required by State Law [G.S. 159-31]. The County may designate as an official depository any bank or savings and loan association whose principal office is located in North Carolina. Also, the County may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the County to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT), a Securities and Exchange Commission registered (2a-7) mutual fund.

As required, the County's investments are stated at fair value as determined by quoted market prices. The NCCMT Cash Portfolio securities are valued at fair value, which is the NCCMT's share price. Except for unspent bond proceeds, the County pools moneys from several funds to facilitate disbursement and investment and maximize investment income. Income from pooled moneys is allocated to participating funds based on the funds' respective share of total pooled cash and investments. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

The unexpended bond proceeds of the County's general obligation and limited obligation bonds are classified as restricted assets within the governmental funds because their use is completely restricted to the purpose for which the bonds were originally issued. Money within the General Fund set aside for tax revaluation and register of deeds automation are also classified as restricted assets because their use is restricted per North Carolina General Statutes.

### ***F. Receivables and Payables***

.36 Outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide statements as "internal balances."

### ***G. Taxes Receivable Deferred Revenues***

.37 In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], ad valorem taxes for property other than vehicles are levied on July 1, the beginning of the fiscal year and are due on September 1 (lien date); however, no penalties or interest are assessed until the following January 6. Property taxes on certain registered motor vehicles are assessed and collected throughout the year. The taxes are based on the assessed values as of January 1, 2011.

Ad valorem taxes collected within 30 days after the fiscal year end for the year ended June 30, 2012 and prior years are accrued within the funds because the amounts are considered measurable and available. The remaining ad valorem taxes receivable are not accrued, as the amount is not considered available. These taxes receivable are significantly past due and are not considered to be an available resource to finance the operations of the subsequent year. GAAP states that property taxes, which are measurable but not available, should be initially recorded as deferred revenues under the modified accrual basis of accounting. The receivable amount is reduced by an allowance for uncollectible taxes and an amount equal to the net receivable is shown as deferred revenue on the combined balance sheet. In addition, property taxes collected in advance of the fiscal year to which they apply are recorded as deferred revenues.

### *H. Allowances for Uncollectible Accounts*

.38 Allowances for uncollectible accounts are maintained on all types of receivables that historically experience uncollectible amounts. Allowances are based on collection experience and management's evaluation of the current status of existing receivables.

### *I. Inventories and Prepaid Expenditures*

.39 Inventories are valued at cost, using the weighted average method. The inventories of the General Fund and the Corporate Fleet Fund consist of expendable supplies and are recorded as expenditures when consumed. The inventories reported on the fund balance sheet are offset by a fund balance reserve, which indicates that it does not constitute a resource available for appropriation. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

### *J. Capital Assets*

.40 Capital assets that are purchased or constructed are recorded at historical cost. Donated assets are recorded at estimated market value at the time of donation. The County defines capital assets as assets with an individual cost of more than \$5,000, and an estimated useful life of more than two years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

The County holds title to certain Example County Board of Education properties that have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education give the Board of Education full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education, once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as capital assets in the financial statements of the Example County Board of Education.

Depreciation is computed using the straight-line method. Capital assets are depreciated on the following basis:

Buildings	40 years
Vehicles and motorized equipment	5 years
Machinery and equipment	3 years
Improvements	40 years
Computer software	3–10 years
Infrastructure	20–50 years

### ***K. Long-Term Debt***

.41 In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bond using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types report the face amount of debt issued as an other financing source. Bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The face amount of the debt issued and any related premiums are reported as other financing sources. Discounts on issuance are reported as other financing uses. Issuance costs are reported as a reduction of proceeds.

### ***L. Compensated Absences***

.42 The vacation policy of the County provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. An expense and a liability for vacation pay and salary-related payments are accrued as the leave is earned in the government-wide and proprietary fund financial statements. The compensated absences liability is liquidated using funds to which the liability accrued as the accumulated leave is used.

The County's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the County has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

### ***M. Net Assets/Fund Balances***

.43 Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through state statute.

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraint placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

*Nonspendable Fund Balance*—This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

*Inventories*—portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

*Noncurrent receivable*—portion of fund balance that is not an available resource because it represents a receivable that will not be collected in the next fiscal year and therefore is not a spendable resource.

*Restricted Fund Balance*—This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors, grantors or imposed by law.

*Restricted for Stabilization by State Statute*—portion of fund balance that is restricted by State Statute [G.S. 159-8(a)]. This primarily represents outstanding receivables and encumbrances.

*Restricted for Register of Deeds*—portion of fund balance that is restricted by revenue source to pay for the computer equipment and imaging technology for the Register of Deeds office.

*Committed Fund Balance*—portion of fund balance that can only be used for specific purpose imposed by majority vote of the County’s Board of Commissioners. Any changes or removal of specific purposes requires majority action by the Board of Commissioners.

*Committed for Tax Revaluation*—portion of fund balance that can only be used for Tax Revaluation.

*Committed for Working Capital—General Fund*—portion of fund balance that the Board has committed to comply with the County’s fund balance policy to maintain adequate fund balance position to maintain its AAA rating. The policy states that the County should maintain a total General Fund balance of at least fifteen percent (15 percent) and an amount committed for working capital of at least ten percent (10 percent) of the following fiscal year’s General Fund adopted budget in order to provide the County with adequate working capital and investment income. This commitment is reaffirmed annually in the County’s adopted budget.

*Committed for Working Capital—Fire Tax Fund*—portion of fund balance that the Board and Fire Commission has committed to maintain sufficient cash flow of the fund. This policy was adopted February 25, 2005, and is reaffirmed annually by the Board and Fire Commission.

*Assigned Fund Balance*—portion of fund balance that has been budgeted by the Board of Commissioners.

*Planned expenditures*—portion of fund balance that is appropriated in the subsequent year’s budget that is not already classified in restricted or committed. The Board of Commissioners approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$75,000.

*Future capital projects*—portion of fund balance in a capital project fund that have not yet been assigned to a specific project.

*Debt service*—portion of fund balance that has been budgeted for future debt service payments.

*Unassigned Fund Balance*—portion of fund balance that has not been restricted, committed or assigned for a specific purpose.

## ***N. Comparative Reclassifications***

.44 Example County has adopted policies to maintain a AAA bond rating on general obligation debt. One important policy related to the County’s fiscal health is that the County will maintain a fund balance position that rating agencies deem is adequate to meet the County’s needs and challenges. Therefore, the County has adopted a policy that requires management to maintain a total General Fund balance of at least fifteen percent (15 percent) and an amount committed for working capital of at least ten percent (10 percent) of the following fiscal year’s General Fund adopted budget in order to provide the County with adequate working capital and investment income. Management is expected to manage the budget so that revenue shortfalls and expenditure increases do not impact the County’s amount committed for working capital. If a catastrophic economic event occurs that results in a deviation of five percent (5 percent) or more from total budgeted revenue or expenditures, the amount committed for working capital can be reduced by board action. At that time, the Board also will adopt a plan on how to return committed for working capital back to the required level for fiscal health. This commitment is reaffirmed annually in the County’s adopted budget.

Certain amounts presented in the prior year’s data have been reclassified in order to be consistent with the current year’s presentation.

**O. Reconciliation of Government-wide and Fund Financial Statements**

.45 Explanation of certain differences between the governmental fund balance sheets and the government-wide statement of net assets.

The governmental fund balance sheet includes reconciliation between the fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains, "long term liabilities, including bonds payable, are not due in the current period and therefore are not reported in the funds." The details of this (\$2,362,883,573) difference are as follows:

Outstanding long-term debt payable (per Note 10)	\$(2,334,997,596)
Add:	
Accrued interest payable	(25,292,471)
Payable to granting agency	(2,953,344)
Risk management liabilities	(1,692,744)
Less:	
Portion of internal service fund’s compensated absences included in Note 10	52,468
Portion of internal service fund’s other post employment benefits included in Note 10	240,995
Bond issuance costs (to be amortized over life of debt)	<u>1,759,119</u>
Net adjustments to reduce fund balance—total governmental funds to arrive at net assets—governmental activities	<u><u>\$(2,362,883,573)</u></u>

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances—total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation states "the issuance of long term debt such as bonds and leases provides current financial resources to governmental funds while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is issued while these amounts are deferred and amortized in the statement of activities." The details of this \$45,842,409 difference are as follows:

Debt issued or incurred:	
General obligation debt—schools issued	\$(96,790,000)
Refunding bonds issued	(75,290,000)
Premiums on bond issuance—GO Bonds	(34,925,590)
Capital leases	(7,573)
Increases in other post employment benefit liability	(21,804,765)
Increases in other post employment benefit liability—Corporate Fleet Fund	82,101
Increases in compensated absences liability	(8,478,843)
Increases in compensated absences liability—Corporate Fleet Fund	39,887
Change is risk management liabilities	853,972
Interest expense accrual and other adjustments	<u>(2,067,616)</u>
Total Increases	<u>(238,388,427)</u>

(continued)

Principal repayments:	
General obligation debt—schools	107,974,807
General obligation debt—other	16,855,193
Refunded bonds	124,000,000
Limited obligation bonds	6,185,000
Installment purchase payments	1,267,700
Qualified zone academy bonds	163,461
Current year amortization of bond premiums—GO Bonds	14,802,645
Current year amortization of bond premiums—LOB Bonds	788,219
Capital lease payments	48,995
Decreases in other post employment benefit liability	4,022,239
Decreases in other post employment benefit liability—Corporate Fleet Fund	(14,843)
Decreases in compensated absences liability	8,172,049
Decreases in compensated absences liability—Corporate Fleet Fund	(34,629)
Total Decreases	<u>284,230,836</u>
Net adjustment to increase net changes in fund balances—total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$45,842,409</u></u>

Another element of that reconciliation states "governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays increases exceeded the book value of capital asset decreases in fiscal year being reported." The details of this \$44,412,414 difference are as follows:

Capital Asset Increases:	
Capital Asset Increases	\$5,591,151
Less acquisitions for the Corporate Fleet Fund	(3,086,025)
Net increase in construction in progress	<u>42,143,345</u>
Total Increases	<u>44,648,471</u>
Capital Asset Decreases:	
Capital asset disposals	(4,230,067)
Add disposals for the Corporate Fleet Fund	2,030,761
Accumulated depreciation related to capital asset disposals	3,692,603
Less accumulated depreciation related to capital asset disposals in the Corporate Fleet Fund	<u>(1,729,354)</u>
Total Decreases	<u>(236,057)</u>
Net adjustment to increase net changes in fund balances—total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$44,412,414</u></u>

**P. Unrestricted (deficit)**

.46 On the Statement of Net Assets, the unrestricted (deficit) for governmental activities is composed of the following:

For school debt	\$(1,548,706,165)
All other	<u>95,655,514</u>
Total unrestricted net assets	<u><u>\$(1,453,050,651)</u></u>

Under North Carolina law, the County is responsible for providing capital funding for the Example County Board of Education (the "School System"). The County has chosen to meet its legal obligation to provide school capital funding by using a mixture of County funds and general obligation debt. The assets funded by the County are owned, utilized and maintained by the school system. Since the County, as the issuing government, acquires no capital assets, the County has incurred a liability without a corresponding increase in assets. At the end of the fiscal year, the outstanding balance of the school-related debt less unspent bond proceeds was \$1,548,706,165. However, the entire amount of school debt outstanding is general obligation debt, which is collateralized by the full faith, credit, and taxing power of the County. The County is authorized and required by State law to levy ad valorem taxes, without limit as to rate or amount, as may be necessary to pay the debt service on its general obligation bonds. Principal and interest requirements will be provided by an appropriation in the year in which they become due.

**NOTE 2. Related Organizations**

.47

**Industrial Facilities and Pollution Control Financing Authority**

The County Board of Commissioners is responsible for appointing the board members of the Example County Industrial Facilities and Pollution Control Financing Authority, but the County’s accountability for this organization does not extend beyond making these appointments. The Authority exists to issue and service revenue bond debt for private business for economic development purposes. Its primary revenues are the payments to service the issued debt that are received from the businesses involved. The County is not responsible for the debt issued by the Authority and the Authority’s debt is not included in determining the County’s legal debt limit.

**Example County Housing Authority**

The County Board of Commissioners is responsible for appointing members of the Example County Housing Authority, but the County’s accountability for this organization does not extend beyond making these appointments. The Authority’s purpose is to provide safe, decent, and affordable housing to County residents. Their operations are subsidized by the federal government and other grantors. The Authority determines its own budget and sets rental rates. The County is not responsible for deficits or liabilities of the Authority.

**Example County Hospital System, Inc.**

The County Board of Commissioners is responsible for appointing eight of the fourteen members of the Example County Hospital System, Inc. (Example Med’s) Board of Directors. The County’s accountability for this organization does not extend beyond making the appointments. The Hospital, a private, not-for-profit entity, operates as a community general hospital, providing care to indigent patients per an agreement with the County which states that it agrees to provide, on an annual basis, out of pocket indigent cost that equal or exceed 4.8 percent of its total adjusted revenue.

Effective April 1, 1997, the Hospital and the County agreed that the County, as owner of certain hospital facilities and related property would transfer such property to the Hospital. Prior to the transfer, the Hospital issued revenue bonds to defease hospital revenue bonds previously issued by the County in the Hospital’s behalf. The proceeds of the new debt plus a sufficient amount of available funds were placed in an irrevocable trust to provide for all future debt service payments on the old hospital revenue bonds.

**NOTE 3. Joint Ventures Without Equity Interest**

.48

**Example Technical Community College**

Technical and vocational training beyond the secondary level is provided by Example Technical Community College, with some financial assistance from the County. The College is a part of the state-wide system of community colleges and technical institutes. The College has a 12-member Board of Trustees, four of which are appointed by the County Board of Commissioners. The County has no responsibility for the designation of management and exercises no control over the operations of the College beyond its annual appropriation. The County has an ongoing financial responsibility for the College because of the statutory responsibilities to provide funding for the College's facilities. The County remitted \$15,991,050 to the College for operating purposes during the current year. In addition, the County made debt service payments of \$8,105,042 on general obligation bonds issued to construct College facilities. The County does not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2012. Complete financial statements for the College may be obtained at their administrative offices at 9101 Fayetteville Road, Raleigh, NC 27603.

**Raleigh-Durham Airport Authority**

The Raleigh-Durham Airport Authority is governed by a board appointed to plan and conduct the operations of the Raleigh-Durham International Airport. This eight-member governing body is jointly appointed by the City of Durham, City of Raleigh, County of Durham, and County of Example, with each member government appointing two members to the Airport Authority board. The Airport Authority board selects the management and determines the budget and financing requirements for airport operations. The County and other participating governments each appropriate \$12,500 annually to cover administration expenses incurred by the Authority. The participating governments have no equity interest in the joint venture; therefore, no equity interest is reflected in the County's financial statements. Complete financial statements for the Airport Authority may be obtained from the airport's administrative offices at 1051 Cargo Drive, Raleigh, NC 27623.

**Centennial Authority**

The Centennial Authority is a local political subdivision of the State of North Carolina created pursuant to Section 4 of Chapter 458 of the 1995 Session Laws of North Carolina. The purpose of the Authority is to study, design, plan, construct, own, promote, finance and operate a regional facility in Example County, North Carolina. The regional facility will consist of an arena, coliseum or other buildings or both, where sports, fitness, health recreational, entertainment or cultural activities can be conducted. In addition, the County remitted \$2,117,616 for operations, \$5,207,756 for debt service and \$1,000,000 for facility improvements from the Occupancy and Prepared Food/Beverage taxes for the Authority. The County does not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2012. Complete financial statements for the Authority may be obtained at their administrative offices at 1520 Blue Ridge Road, Suite 201, Raleigh, NC 27607.

**Greater Raleigh Convention and Visitors Bureau**

The Greater Raleigh Convention and Visitors Bureau (Bureau) was established in fiscal year 1992 in conjunction with a County occupancy tax levy to promote and solicit business, conventions, meetings and tourism in the County. The governing body of the Bureau is a 12-member board of directors with 6 members appointed by the Raleigh City Council and six members appointed by the County Board of Commissioners.

Funding is derived from the 6 percent occupancy tax levied upon the rental of rooms, lodging or similar accommodations, and from a 1 percent prepared food & beverage tax levied on all prepared foods and beverages sold by Example County businesses. Monthly, the County is required to distribute to the Bureau a percentage of the tax collected with a minimum aggregate annual distribution of \$1,000,000. If tax revenues are not sufficient to fully fund the Bureau's minimum annual distributions, the County and City must fund the deficiency equally to ensure that the Bureau receives its minimum distribution of \$1,000,000 in any fiscal year. All unexpended funds of the Bureau revert to the County and City at the end of each fiscal year. The



Bureau is a joint venture of equal equity interest between the County and the City of Raleigh. The Example County Board of Commissioners and the Raleigh City Council must approve the budget and all amendments. The Bureau does not have any outstanding indebtedness except for a minor investment in capital assets, the only equity in the Bureau at year-end is for encumbrances, which will be expended, in the subsequent year. Based on this, no equity interest in the Bureau is recorded at June 30, 2012.

**NOTE 4. Deposits and Investments**

**1. Deposits**

.49 All of the County’s deposits are either insured or collateralized using the Pooling Method. Under the Pooling Method, a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer’s agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, these deposits are considered to be held by the County’s agent in the County’s name. The amount of the pledged collateral is based on an approved averaging method for noninterest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the pooling method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County under pooling method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each pooling depository. The County has no policy regarding custodial credit risk for deposits.

At year-end, the County’s deposits had a carrying amount of \$323,131,167 and a bank balance of \$324,880,803. Of the bank balance, \$901,781 was covered by federal depository insurance and \$323,979,022 in interest-bearing deposits was covered by collateral held under the pooling method.

**2. Investments**

.50 As of June 30, 2012, the County had the following investments and maturities.

<i>Investment Type</i>	<i>Fair Value</i>	<i>Less Than 2 Years</i>	<i>2–3 Years</i>	<i>3–5 Years</i>
U.S. Government Agencies	\$307,439,630	\$272,441,430	\$19,995,700	\$15,002,500
Commercial paper	174,389,521	174,389,521	—	—
Certificates of Deposit	20,000,000	20,000,000	—	—
N.C. Capital Management Trust—Cash portfolio	1,254,197	1,254,197	—	—
Total fair value	<u>\$503,083,348</u>	<u>\$468,085,148</u>	<u>\$19,995,700</u>	<u>\$15,002,500</u>

*Interest Rate Risk.* As a means of managing its exposure to fair value losses from increasing interest rates, the County has an informal investment policy that limits investment maturities to a maximum of 5 years. A maximum of 15 percent of the portfolio can be in the 2–3 year range and a maximum 10 percent of the portfolio can be in the 3–5 year range. At times it may be necessary for investment maturities to exceed these ranges.

*Credit Risk.* State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs); however, the County had no formal policy on managing credit risk. As of June 30, 2012, the County’s investments in commercial paper were rated P1 by Standard & Poor’s, F1 by Fitch Ratings and A1 by Moody’s Investors Service. In addition, all of the County’s long-term debt rating of A or better. The County’s investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor’s as of June 30, 2012. The County’s investments in US Agencies (Federal Home Loan Bank, Federal Farm Credit Bank, Fannie Mae and Freddie Mac) are rated aa+ by Standard & Poor’s and aa+ by Moody’s Investors Service.

*Concentration risk:* The County's informal investment policy limits the amount of investments to \$30 million that is allowed in any one issuer's name.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2012, all of the County's investments were in the County's name.

#### **NOTE 5. Receivables**

.51 Receivables, including accrued interest, as of year-end for the County's individual major and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Affordable Housing Fund	Major Facilities Fund	Debt Service Fund	Capital Improvement Fund	School Fund	Non Major Funds	Totals
Property taxes	\$15,851,273	\$—	\$—	\$—	\$—	\$—	\$689,641	\$16,540,914
Accounts	19,932,922	—	—	—	—	—	—	19,932,922
Interest	21,731	433	13,140	1,079,027	—	37,758	61,668	1,213,757
Intergovernmental	53,233,952	282,256	—	3,056,946	2,263,408	2,699,805	595,170	62,131,537
Loans receivable	—	25,027,469	—	—	227,043	—	—	25,254,512
Other	2,511,312	78,233	3,128,353	—	4,613,302	—	463,647	10,794,847
Gross receivables	91,551,190	25,388,391	3,141,493	4,135,973	7,103,753	2,737,563	1,810,126	135,868,489
Less allowance for bad debts	(19,828,543)	(329,974)	—	—	(1,344,517)	—	(454,554)	(21,957,588)
Net total receivables	\$71,722,647	\$25,058,417	\$3,141,493	\$4,135,973	\$5,759,236	\$2,737,563	\$1,355,572	\$113,910,901

Accounts receivables of the Solid Waste Operating Fund and the South Example Landfill Partnership Fund are reported net of uncollectible amounts. Total uncollectible amounts related to receivables of the current period are \$157,002 and \$137,449, respectively.

At the end of the current period, the various components of deferred revenue were as follows:

	General Fund	Affordable Housing Fund	County Capital Project Fund	School Capital Fund	Non Major Funds	Total
<b>Unavailable:</b>						
Taxes receivable	\$6,278,553	\$—	\$—	\$—	\$235,087	\$6,513,640
Other receivables	5,224,260	—	3,268,751	—	—	8,493,011
<b>Total Unavailable</b>	<u>11,502,813</u>	<u>—</u>	<u>3,268,751</u>	<u>—</u>	<u>235,087</u>	<u>15,006,651</u>
<b>Unearned:</b>						
Housing loans receivable	—	24,725,441	—	—	—	24,725,441
Loans receivable	—	—	227,043	—	—	227,043
Prepaid taxes not yet earned	2,650,250	—	—	—	56,855	2,707,105
Prepaid loans not yet earned	—	—	—	—	40,000	40,000
Prepaid revenues not yet earned	—	—	—	—	—	—
Other cash deferred revenues	—	—	2,500,000	—	—	2,500,000
<b>Total Unearned</b>	<u>2,650,250</u>	<u>24,725,441</u>	<u>2,727,043</u>	<u>713,618</u>	<u>96,855</u>	<u>30,913,207</u>
<b>Total Deferred revenues</b>	<u>\$14,153,063</u>	<u>\$24,725,441</u>	<u>\$5,995,794</u>	<u>\$713,618</u>	<u>\$331,942</u>	<u>\$45,919,858</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

**NOTE 6. Capital Assets**

.52 Capital asset activity for the year ended June 30, 2012 was as follows:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$92,901,383	\$17,243,727	\$(6,459)	\$110,138,651
Construction in progress	236,551,370	42,200,191	(35,063,399)	243,688,162
Total capital assets, not being depreciated	<u>329,452,753</u>	<u>59,443,918</u>	<u>(35,069,858)</u>	<u>353,826,813</u>
Capital assets, being depreciated:				
Buildings	352,717,062	6,931,062	(162,042)	359,486,082
Improvements Other than Buildings	23,249,822	621,142	—	23,870,964
Machinery and equipment	36,647,831	1,363,588	(163,558)	37,847,861
Vehicles and motorized equipment	33,503,193	4,059,062	(3,898,008)	33,664,247
Computer Software	—	10,322,893	—	10,322,893
Infrastructure	16,589,899	56,230	—	16,646,129
Total capital assets being depreciated	<u>462,707,807</u>	<u>23,353,977</u>	<u>(4,223,608)</u>	<u>481,838,176</u>
Less accumulated depreciation for:				
Buildings	90,611,087	10,275,977	—	100,887,064
Improvements Other than Buildings	4,599,811	660,986	—	5,260,797
Machinery and equipment	32,689,142	2,007,863	(163,558)	34,533,447
Vehicles and motorized equipment	20,710,330	4,817,010	(3,529,045)	21,998,295
Computer software	—	344,096	—	344,096
Infrastructure	5,193,491	339,723	—	5,533,214
Total accumulated depreciation	<u>153,803,861</u>	<u>\$18,445,655</u>	<u>\$(3,692,603)</u>	<u>168,556,913</u>
Total capital assets, being depreciated, net	<u>308,903,946</u>			<u>313,281,263</u>
Governmental activities capital assets, net	<u>\$638,356,699</u>			<u>\$667,108,076</u>

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$1,875,253	\$—	\$—	\$1,875,253
Construction in progress	—	—	—	—
Total capital assets, not being depreciated/ amortized	<u>1,875,253</u>	—	—	<u>1,875,253</u>
Capital assets, being depreciated/amortized:				
Landfills	39,155,880	—	—	39,155,880
Buildings	1,166,846	—	—	1,166,846
Improvements	544,003	—	—	544,003
Machinery and equipment	371,525	380,085	—	751,610
Vehicles and motorized equipment	11,573	—	(11,573)	—
Total capital assets being depreciated/ amortized	<u>41,249,827</u>	<u>380,085</u>	<u>(11,573)</u>	<u>41,618,339</u>
Less accumulated depreciation/amortization for:				
Landfills	30,481,746	447,489	—	30,929,235
Buildings	369,948	29,244	—	399,192
Improvements	173,233	13,620	—	186,853
Machinery and equipment	107,944	113,141	—	221,085
Vehicles and motorized equipment	11,573	—	(11,573)	—
Total accumulated depreciation/amortization	<u>31,144,444</u>	<u>\$603,494</u>	<u>\$(11,573)</u>	<u>31,736,365</u>
Total capital assets, being depreciated/ amortized, net	<u>10,105,383</u>			<u>9,881,974</u>
Business-type activities capital assets, net	<u>\$11,980,636</u>			<u>\$11,757,227</u>



Depreciation and amortization expenses were charged to functions as follows:

Governmental activities:	
General administration	\$3,393,041
Human services	1,979,001
Education	356,470
Community development and cultural	2,454,159
Environmental services	368,921
Public safety	6,365,756
General services administration	<u>3,528,307</u>
Total depreciation expense—Governmental activities	<u>18,445,655</u>
Business-type activities:	
Environmental services—solid waste	<u>603,494</u>
Total depreciation and amortization	<u>\$19,049,149</u>

For the 2012 fiscal year, the construction in progress expenditures for governmental activities were as follows:

<b>Construction in Progress:</b>	
	<u>Expended At 06/30/2012</u>
Automation	\$15,020,502
County Buildings	27,610,101
Criminal Justice	147,230,170
Libraries	2,415,694
Open Space	6,456,015
Parks	4,117,275
Public Safety	25,977,503
Water/Wastewater	<u>14,860,902</u>
Total	<u>\$243,688,162</u>

**NOTE 7. Interfund Receivables/Payables and Transfers**

.53 As of June 30, 2012, there are no internal balances in the governmental funds. Internal balances in the business-type activities funds, as of June 30, 2012 are \$413,975. This represents amounts owed to the Solid Waste Operating Fund from the South Example Landfill Partnership Fund for the County’s share of the South Example Landfill partnership rebates and amounts owed to the South Example Landfill Partnership Fund from the Solid Waste Operating Fund for the County’s portion of tipping fees owed at June 30, 2012.

The County’s General Fund transferred funds during fiscal year 2012 to fund debt service payments, capital improvements, economic developments and the County match for State and Federal Grant Programs. The \$404,000 transferred from the Solid Waste Operating Fund is to cover administrative expenses incurred by the County’s General Fund on behalf of the solid waste program. The \$852,000 transferred from the South Example Landfill Partnership Fund to the Solid Waste Operating Fund is for the County’s share of the prior year partnership rebate and to cover administrative expenses incurred in the Solid Waste Operating Fund on behalf of the South Example Landfill Fund.

	General Fund	Affordable Housing Fund	Debt Service Fund	County Capital Projects Fund	Other Governmental Funds	Solid Waste Operating Fund	Corporate Fleet Fund	Total Transfers out
General Fund	\$—	\$—	\$182,599,000	\$25,556,000	\$—	\$—	\$1,673,316	\$209,828,316
Major Facilities Fund	1,073,452	—	991,000	—	1,000,000	—	—	3,064,452
Capital Improvements Fund	—	830,000	1,500,000	—	2,440,000	—	—	4,770,000
School Capital Fund	—	—	36,663,960	—	—	—	—	36,663,960
Other Governmental Funds	702,618	—	1,140,000	—	1,743,000	—	—	3,585,618
Solid Waste Operating Fund	404,000	—	—	—	—	—	—	404,000
South Example Partnership Fund	—	—	—	—	—	852,000	—	852,000
Total transfers in	\$2,180,070	\$830,000	\$222,893,960	\$25,556,000	\$5,183,000	\$852,000	\$1,673,316	\$259,168,346

**NOTE 8. Risk Management**

.54 The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of, assets; errors and omissions; on-the-job injuries to employees; and natural disasters, as discussed below.

***A. Property, Liability, Workers’ Compensation and Self-Insured Employee Medical Coverages***

.55 The County’s group medical coverage is self-insured and administered by an outside provider. The County also provides self-insured dental to its employees and dependents. There is no limit for in-network services and no lifetime limit for out-of-network services for each covered employee/dependent’s medical costs. The cost of providing medical coverage to participating employees and dependents is charged to benefiting funds as premiums. These premiums are an estimate of expected average claims per individual. The County is self-insured to a retention of \$750,000 for each workers’ compensation claim and \$1,000,000 for liability claims. The county purchases commercial excess insurance for claims in excess of its self-insured retentions and other insurance and bonds to cover specific risks and individuals, respectively. The County has a high-deductible policy for property coverage. The deductible is \$100,000 per occurrence; and \$500,000 for flood property claims at locations in flood zones. Claims have not exceeded commercial coverage in any year since the fund was established in 1990. The County distributes claims expenditures to County departments, but does not distribute workers compensation, liability or property insurance, or bonding expenses to County departments. Administrative costs and actuarially determined assets to pay ultimate losses and scheduled premiums are covered by the General Fund.

The County’s coverage limits, subject to the retentions and deductibles described above, at June 30, 2012 are as follows:

<i>Coverage</i>	<i>Coverage Limits</i>
Property Insurance—Building and Contents	\$300,000,000
Flood Insurance	\$150,000,000
Workers’ Compensation	Statutory
Employers’ Liability	\$1,000,000
General Liability, Public Officials Liability, Law Enforcement Liability and Auto Liability	\$10,000,000

In accordance with G.S. 159-29, the County’s employees that have access to \$100 or more of the County’s funds at any given time are covered by a commercial crime policy with limits of \$1,000,000. The Director of Finance and the Tax Collector are covered by individual fidelity bonds of \$500,000 each.

The claims liability of \$7,597,530 at June 30, 2012 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, which requires that a liability for claims be reported if information 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 of the loss can be reasonably estimated.

The claims liability is actuarially determined and includes an estimate for claims incurred but not reported. This entire amount is accrued and reported in the government-wide statements in the applicable governmental or business-type activities. A portion of the liability is considered current and is reported in the General fund in the fund financial statements. Changes in the fund’s claims liability amount during fiscal years 2011 and 2012 are as follows:

<b>Changes in Claims Liability</b>	<i>Workers' compensation</i>	<i>Property and Liability</i>	<i>Self-insured group medical</i>	<i>Dental Benefits</i>	<i>Total</i>
Balance, as of June 30, 2010	\$3,799,845	\$591,620	\$2,136,876	\$286,560	\$6,814,901
Changes in estimates, fiscal year 2011	1,220,585	4,218	126,595	5,728	1,357,126
Balance, as of June 30, 2011	5,020,430	595,838	2,263,471	292,288	8,172,027
Changes in estimates, fiscal year 2012	(308,012)	229,516	(347,648)	(148,353)	(574,497)
Balance, as of June 30, 2012	<u>\$4,712,418</u>	<u>\$825,354</u>	<u>\$1,915,823</u>	<u>\$143,935</u>	<u>\$7,597,530</u>
Current portion of liability	<u>\$3,509,493</u>	<u>\$635,364</u>	<u>\$1,638,439</u>	<u>\$116,330</u>	<u>\$5,899,626</u>

**NOTE 9. Capital Lease Obligations and Operating Leases**

.56 The County leases certain equipment under lease agreements that are classified as capital leases for accounting purposes in accordance with GAAP. Obligations of these lease agreements are accounted for in the governmental activities of the government-wide statements. At June 30, 2012, the net book value of the assets acquired through capital leases is \$79,064. The net present value of the future minimum lease payments at June 30, 2012 is \$132,027 as detailed below.

The County also leases buildings and office facilities as well as various equipment under noncancelable operating leases. The total costs for all operating lease expenditures for the year ended June 30, 2012 were \$3,191,033. The future minimum lease payments for noncancelable operating leases are \$12,178,023 as detailed below.

At June 30, 2012, future minimum lease payments due under capital leases and operating leases with initial or remaining noncancelable lease terms in excess of one year are as follows:

<u>Year Ending June 30</u>	<u>Capital Leases</u>	<u>Operating Leases</u>
2013	\$55,774	\$2,315,253
2014	43,707	994,984
2015	28,716	964,416
2016	13,003	940,557
2017	—	942,579
2018–2022	—	4,015,618
2023–2025	—	2,004,616
Total minimum lease payments	141,200	<u>\$12,178,023</u>
Less: amount representing interest	<u>(9,173)</u>	
Net present value of the future minimum lease payments	<u>\$132,027</u>	

The County leases office space under operating lease agreements with terms generally less than one year. Minimum future rentals on noncancelable lease with terms in excess of one year are not material to the County’s financial statements. Rental revenue for the year ended June 30, 2012 was \$313,635.

**NOTE 10. Long-term Debt**

.57

**General Obligation Bonds:**

The general obligation bonds reported in Governmental Activities are collateralized by the full faith, credit and taxing power of the County. The County has issued both fixed and variable rate bonds. The fixed rate bonds bear interest at rates varying from 3.00 percent to 5.40 percent. The variable rate is reset weekly by the remarketing agent based on the minimum rate of interest necessary to enable the remarketing agent to remarket all of the weekly rate bonds in the secondary market. The rate ranged from 0.05 percent to 0.23 percent during the period July 1, 2011 through June 30, 2012. Principal and interest requirements will be provided by an appropriation in the Debt Service Fund in the year in which they become due.

General obligation bonds serviced by the General Fund and payable at June 30, 2012 are comprised of the following:

2003A Public Improvement Bonds of \$122,890,000 due in annual installments of \$8,000,000 to \$17,555,000 through April 2015, interest of 3.00 to 5.00%.	\$8,000,000
2003B Public Improvement Bonds of \$55,000,000 due in periodic installments of \$10,000,000 to \$30,000,000 beginning in April 2016 through April 2018, interest is variable with a rate of 0.15% at June 30, 2012. The maximum amount of interest cannot exceed 12%.	55,000,000
	<i>(continued)</i>

2003C Public Improvement Bonds of \$45,000,000 due in annual installments of \$13,000,000 to \$32,000,000 beginning in April 2019 through April 2020, interest is variable with a rate of 0.15% at June 30, 2012. The maximum amount of interest cannot exceed 12%.	45,000,000
2003A Refunding Bonds of \$83,145,000 due in annual installments of \$945,000 to \$16,100,000 beginning February 1, 2004 through February 1, 2011 interest of 3.00 to 5.00%.	400,000
2004 Public Improvement Bonds of \$130,000,000 due in annual installments of \$10,000,000 beginning March 1, 2005 through March 1, 2017, interest of 3.00 to 5.00%.	20,000,000
2004 Refunding Bonds of \$114,380,000 due in annual installments of \$2,865,000 to \$23,870,000 beginning March 1, 2007 through March 1, 2015 interest of 4.00 to 5.00%.	25,075,000
2005 Refunding Bonds of \$33,020,000 due in annual installments of \$50,000 to \$22,290,000 beginning February 1, 2006 through February 1, 2017 interest of 3.00 to 5.00%.	32,475,000
2005 School Bonds of \$41,000,000 due in annual installments of \$1,500,000 to \$6,000,000 through May 2023, interest of 3.25 to 5.00%.	4,500,000
2007 Public Improvement Bonds of \$455,000,000 due in periodic installments of \$23,000,000 to \$35,000,000 beginning March 1, 2009 through March 1, 2025, interest of 4.25 to 5.00%.	115,000,000
2007A Variable Rate School Bonds of \$50,000,000 due in periodic installments of \$13,000,000 to \$21,000,000 beginning March 1, 2024 through March 1, 2026, interest is variable with a rate of 0.15% at June 30, 2012. The maximum interest rate cannot exceed 12%.	50,000,000
2007B Variable Rate School Bonds of \$50,000,000 due in periodic installments of \$8,000,000 to \$21,000,000 beginning March 1, 2022 through March 1, 2024, interest is variable with a rate of 0.15% at June 30, 2012. The maximum interest rate cannot exceed 12%.	\$50,000,000
2009A Public Improvement Bonds of \$135,000,000 due in periodic installments of \$6,000,000 to \$24,000,000 beginning March 1, 2012 through March 1, 2026, interest of 4.00 to 5.00%.	42,000,000
2009B Public Improvement Bonds of \$300,000,000 due in periodic installments of \$7,000,000 to \$26,000,000 beginning March 1, 2010 through March 1, 2025, interest of 4.00 to 5.00%.	258,000,000
2009C Refunding Bonds of \$66,320,000 due in annual installments of \$7,575,000 to \$14,150,000 beginning March 1, 2010 through March 1, 2015 interest of 4.00 to 5.00%.	39,275,000
2009D Refunding Bonds of \$168,980,000 due in annual installments of \$6,545,000 to \$36,945,000 beginning February 1, 2012 through February 1, 2018 interest of 3.00 to 4.00%.	162,435,000
2010A Public Improvement Bonds of \$86,295,000 due in periodic installments of \$6,635,000 to \$6,675,000 beginning April 1, 2011 through April 1, 2023, interest of 2.00 to 5.00%.	72,985,000
2010B Public Improvement Recovery Zone Economic Development Bonds of \$39,505,000 due in periodic installments of \$6,330,000 to \$6,635,000 beginning April 1, 2024 through April 1, 2029, interest of 4.80 to 5.40%.	39,505,000
2010C Refunding Bonds of \$383,420,000 due in periodic installments of \$100,000 to \$56,780,000 beginning March 1, 2013 through March 1, 2026, interest of 2.00 to 5.00%.	383,420,000
2010D Public Improvement Qualified School Construction Bonds of \$34,910,000 due June 1, 2027, interest at 5.10%. Annual payments are required to be made into a sinking fund held by US Bank. The deposits and the interest earned on those deposits will be used to make the principal payment in June 2027.	34,910,000

2010E Public Improvement Bonds of \$18,945,000 due in periodic installments of \$1,890,000 to \$1,895,000 beginning August 1, 2011 through August 1, 2020, interest of 2.50 to 4.00%.	17,055,000
2010F Public Improvement Bonds of \$17,055,000 due in periodic installments of \$1,895,000 beginning August 1, 2021 through August 1, 2029, interest of 4.15 to 5.40%.	17,055,000
2011 Public Improvement Bonds of \$116,800,000 due in periodic installments of \$6,100,000 to \$6,150,000 beginning April 1, 2012 through April 1, 2030, interest of 3.00 to 5.00%.	110,700,000
2012A School Bonds of \$96,790,000 due in periodic installments of \$4,990,000 to \$5,100,000 beginning February 1, 2013 through February 1, 2031, interest of 3.00 to 5.00%.	96,790,000
2012B Refunding Bonds of \$75,290,000 due in annual installments of \$5,260,000 to \$27,845,000 beginning February 1, 2018 through February 1, 2021 interest of 5.00%.	<u>75,290,000</u>
Total general obligation bonds outstanding	<u><u>\$1,754,870,000</u></u>

**Limited Obligation Bonds:**

The limited obligation bonds reported in Governmental Activities are supported by an annual budgetary appropriation of debt service, unlike general obligation bonds which are collateralized by the full faith, credit and taxing power of the County. Principal and interest requirements will be provided by an appropriation in the Debt Service Fund in the year in which they become due.

2009 Limited obligation bonds of \$154,620,000, due in annual installments of \$6,180,000 through \$6,185,000 June 2036; interest of 4.75% to 5.00%, collateralized by the Hammond Road Detention Center	\$148,435,000
2010 Limited obligation bonds of \$148,860,000, due in annual installments of \$5,950,000 through \$5,955,000 January 2037; interest of 2.50% to 5.00%, collateralized by the Criminal Justice Center	<u>148,860,000</u>
Total limited obligation bonds outstanding	<u><u>\$297,295,000</u></u>

The annual requirements to amortize all general obligation debt outstanding as of June 30, 2012 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$129,960,000	\$74,383,404	\$204,343,404
2014	127,435,000	68,914,895	196,349,895
2015	127,225,000	63,968,195	191,193,195
2016	145,755,000	59,017,119	204,772,119
2017	143,685,000	53,725,676	197,410,676
2018–2022	595,745,000	181,272,004	777,017,004
2023–2027	427,565,000	60,645,729	488,210,729
2028–2032	<u>57,500,000</u>	<u>4,693,409</u>	<u>62,193,409</u>
	<u><u>\$1,754,870,000</u></u>	<u><u>\$566,620,431</u></u>	<u><u>\$2,321,490,431</u></u>

The annual requirements to amortize capital leases, installment purchases, limited obligation bonds, notes payable and Qualified Zone Academy debt outstanding as of June 30, 2012 are as follows:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$13,671,204	\$14,020,668	\$27,691,872
2014	13,712,875	13,563,255	27,276,130
2015	13,752,673	13,077,941	26,830,614
2016	12,873,470	12,572,101	25,445,571
2017	12,801,833	12,107,065	24,908,898

(continued)

## State and Local Governments

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018–2022	61,221,004	52,351,116	113,572,120
2023–2027	60,700,000	37,586,169	98,286,169
2028–2032	60,700,000	22,606,688	83,306,688
2033–2037	54,505,000	7,535,500	62,040,500
	<u>\$303,938,059</u>	<u>\$185,420,503</u>	<u>\$489,358,562</u>

The County is subject to the Local Government Bond Act of North Carolina which limits the amount of net bonded debt the County may have outstanding to 8 percent of the appraised value of property subject to taxation less property valued for abatement. At June 30, 2012, such statutory limit of the County was \$9,644,432,052 providing a legal debt margin of \$7,435,516,410. Authorized but unissued general obligation bonds as of June 30, 2012 totaled \$65,700,000. Of this amount \$65,700,000 was for authorized but unissued new general obligation bonds and none was remaining for authorized but unissued refunding bonds.

#### Qualified Zone Academy Bonds:

In 2003, the County issued \$3,002,077 of Qualified Zone Academy Bonds as authorized by State Law [G.S. 16A-20]. These are installment financing agreements that are secured by the fixtures and improvements at Needham Broughton High School. The County is obligated to make annual debt service fund payments of \$163,461 through December 2016. The scheduled payments by the County assume projected earnings at a fixed rate of 4.02 percent. If the trustee fails to earn projected amounts, the County shall pay, in addition to its scheduled payments, the amount such that total payments in the Debt Service Fund shall equal \$3,002,077.

#### Recovery Zone Economic Development Bonds—Example County Public Schools

In 2010, the County issued Series 2010B Public Improvement Recovery Zone Economic Development Bonds (RZEDBs) totaling \$39.505 million. The issuance was comprised of the County's original allocation of RZEDBs of \$6.3 million and an additional allocation from the State. These bonds are eligible for federal interest subsidy payments equal to 45 percent of the true interest cost of the bonds as provided in the American Recovery and Reinvestment Act (ARRA).

#### Qualified School Construction Bonds—Example County Public Schools

In 2010, the County issued Series 2010D Public Improvement Qualified School Construction Bonds totaling \$34.91 million. The issuance was comprised of the County's direct allocation from the U.S. Treasury totaling \$17.304 million in 2009 and \$17.606 million in 2010. These bonds are eligible for federal interest subsidy payments equal to 100 percent of the true interest cost of the bonds as provided in the American Recovery and Reinvestment Act (ARRA) and the Hiring Incentives to Restore Employment (HIRE) Act.

#### Recovery Zone Academy Bonds/Build America Bonds—Example Tech Community College

In 2010, the County issued Series 2010F Public Improvement Bonds (Taxable Interest) totaling \$17.055 million. The issuance was comprised of an additional allocation of Recovery Zone Economic Development Bonds (RZEDBs) from the State of \$9,475,000 with the remaining \$7,580,000 designated as Build America Bonds (BABs). As provided in the American Recovery and Reinvestment Act (ARRA), the RZEDBs are eligible for federal interest subsidy payments equal to 45 percent of the true interest cost of the bonds and the BABs are eligible for federal interest subsidy payments equal to 35 percent of the true interest cost of the bonds.

#### Advance Refunding

In February 2012, the County issued \$75,290,000 of general obligation refunding bonds to provide resources that were then placed in an irrevocable trust for generating resources for all future debt service payments associated with \$124,000,000 of 2012 refunded bonds. The County also contributed an additional \$30,153,399 of cash for this refunding. As a result, the funded bonds are considered to be defeased and the liability has been removed from the governmental activities column on the County's statement of net assets. The net carrying amount of the old debt exceeded the reacquisition price by \$18,911,205. This advance refunding



and cash funding was undertaken to reduce the total future debt service payments over the next nine years by \$41,316,605 and resulted in an economic gain of \$6,491,861.

**Conduit Debt Obligations:**

Example County Industrial Facilities and Pollution Control Financing Authority (the "Authority") has used industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. These bonds are secured by the properties financed as well as letters of credit and are payable solely from the payments received from the private businesses involved. Ownership of the acquired facilities is in the name of the private business served by the bond issuance. Neither the County, the Authority, the State of North Carolina, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2012, there were 16 series of industrial revenue bonds outstanding with an aggregate principal amount payable of \$598 million.

**Interest Rate Swap:**

As part of the acquisition by the County of an 85 percent interest in Five County Stadium pursuant to an Interlocal Agreement dated December 19, 2002, the County assumed the obligations of the Town of Zebulon under an Installment Financing Agreement ("Original Agreement") dated as of February 1, 1999. Effective April 20, 2004, the County entered into an Amended and Restated Installment Financing Agreement ("Amended Agreement") and pay-fixed, receive-variable interest rate swap ("Swap") for the purpose of refinancing the Original Agreement. The initial principal amount of the Amended Agreement was \$9,000,000 and the initial notional amount of the Swap was \$9,000,000. The notional value of the swap and the principal amount of the associated debt decline annually. The final maturity of the Amended Agreement and Swap is August 1, 2015. The interest rate on the Amended Agreement is 60.45 percent of one-month LIBOR plus 1.12 percent. Under the Swap, the County receives 60.45 percent of one-month LIBOR plus 1.12 percent (the same as the interest rate on the Amended Agreement) and pays 3.78 percent, effectively converting the Amended Agreement from variable-rate to fixed-rate. At June 30, 2012, the swap had a fair value to the County of (\$128,531). Fair value was estimated by the counterparty using mark to market valuations. As of June 30, 2012, the County was not exposed to credit risk because the swap had a negative fair value. The swap counterparty, Bank of America, at June 30, 2012 was rated "A3" by Moody's Investors Service, "A" by Standard and Poor's, and "A" by Fitch Ratings. Since the variable interest rate the County pays on the Amended Agreement and the variable interest rate the counterparty pays to the County on the swap are based on the same calculation, the net interest rate is the 3.78 percent fixed swap rate and there is no interest rate or basis risk. The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The swap may also be terminated if either party's credit rating on its long-term unsubordinated debt falls to "Baa1" or lower by Moody's Investors Service, "BBB+" or lower by Standard and Poor's, and "BBB+" or lower by Fitch Ratings, or such rating is withdrawn or suspended. Termination could result in the County being required to make or being entitled to receive an unanticipated termination payment.

Swap payments and associated debt—Using the variable interest rate as of June 30, 2012 (0.15 percent) and assuming the rate remains the same for the term of the agreement, debt service requirements of the Amended Agreement debt and net swap payments would be as follows:

	<i>Amended Variable Rate Installment Purchase Agreement</i>			
	<i>Principal</i>	<i>Variable Rate Interest</i>	<i>Interest Rate Swaps, Net</i>	<i>Total</i>
2013	\$889,893	\$4,012	\$97,095	\$991,000
2014	924,631	2,633	63,736	991,000
2015	960,407	1,214	29,379	991,000
2016	77,694	59	1,417	79,170
Total	<u>\$2,852,625</u>	<u>\$7,918</u>	<u>\$191,627</u>	<u>\$3,052,170</u>

**Changes In Long-Term Liabilities:**

Long-term liability activity for the year ended June 30, 2012, was as follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending Balance</i>	<i>Due within one year</i>
<b>Governmental activities:</b>					
General obligation bonds	\$1,831,620,000	\$172,080,000	\$248,830,000	\$1,754,870,000	\$129,960,000
Plus: Premiums on issuance	159,676,428	34,925,590	14,802,645	179,799,373	N/A
Total general obligation bonds payable	1,991,296,428	207,005,590	263,632,645	1,934,669,373	129,960,000
Limited obligation bonds	303,480,000	—	6,185,000	297,295,000	12,140,000
Plus: Premiums on issuance	20,403,480	—	788,219	19,615,261	N/A
Total limited obligation bonds payable	323,883,480	—	6,973,219	316,910,261	12,140,000
Qualified Zone Academy Bonds	980,772	—	163,461	817,311	163,461
Installment Purchases	6,961,421	—	1,267,700	5,693,721	1,316,954
Capital leases	173,449	7,573	48,995	132,027	50,789
Other post-employment benefits	47,524,452	21,804,765	4,022,239	65,306,978	—
Compensated absences	11,161,131	8,478,843	8,172,049	11,467,925	8,200,000
Total Governmental Activities	\$2,381,981,133	\$237,296,771	\$284,280,308	\$2,334,997,596	\$151,831,204
<b>Business-type activities:</b>					
Landfill	\$16,034,032	\$1,178,563	\$785,826	\$16,426,769	\$575,000
Other post-employment benefits	235,785	111,424	20,144	327,065	—
Compensated absences	56,401	37,640	28,097	65,944	28,000
Total Business-type Activities	\$16,326,218	\$1,327,627	\$834,067	\$16,819,778	\$603,000

**NOTE 11. Additional Social Welfare Expenditures**

.58 The following amount was paid on behalf of the County by the State from Federal and State funds. The human services payments were disbursed directly to vendors and individual recipients. For the year ended June 30, 2012 this amount, which is not included in the financial statements because the County has no primary responsibility beyond making eligibility determinations, is approximately \$596 million.

**NOTE 12. Compliance Audits of Federal and State Assisted Program**

.59 The County participates in a number of federal and State grant programs which are subject to audit in accordance with Office of Management and Budget Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations", the Single Audit Act Amendments of 1996, and the State Single Audit Implementation Act. The County expects such expenditures, if any, which may be disallowed by the granting agencies to be immaterial.

**NOTE 13. Termination Benefits**

.60 On February 6, 2012, the Board approved an agreement to establish a new Multi-County Area Authority to Manage Mental Health, Substance Abuse and Developmental Disability Services for Durham and Example County. This agreement merged the Counties, effective July 1, 2012, into a new organization called Alliance Behavioral Healthcare. As a result of the merger, Example County identified 109.75 positions for RIF (Reduction in Force). Of those 109.75 positions, 22 employees opted for the Severance Pay Option. Eligible employees who agreed to the terms and conditions of the severance pay option received a lump sum payment equal to two (2) weeks of pay for every full year of salaried service with the County as of the date of separation, up to a maximum payment equal to forty (40) weeks. The total severance payout for these 22 employees was \$688,463, paid in July 2012. This is included in the accounts payable and accrued liabilities line item of the General Fund.

**NOTE 14. Multiple-Employer Pension Plan Obligations**

.61

**Local Governmental Employees' Retirement System**

*Plan Description.* Example County contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and their beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The LGERS is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. That report may be obtained by writing to the Office of the State Controller, 3512 Bush Street, Raleigh, North Carolina 27609, or by calling (919) 981-5454.

*Funding Policy.* Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 6.88 percent and 7.36 percent, respectively, of annual covered payroll. The contribution requirements of members and of Example County are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2010, 2011, and 2012 were \$8,458,208, \$11,034,875 and \$12,124,342, respectively. The contributions made by the County equaled the required contributions for each year.

**Supplemental Retirement Income Plan**

*Plan Description.* Example County contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The plan provides retirement benefits to all employees of the County who are employed at least half time. Article 5 of the G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North

Carolina General Assembly. The County's total payroll in fiscal year 2012 was \$175,725,964. The County's contributions were calculated using the base salary amount of \$175,780,434. The County made contributions amounting to \$8,788,022. Employees made voluntary contributions of \$4,016,127.

*Funding Policy.* This Supplemental Retirement Income Plan is provided through the Local Government Employees' Retirement System. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. State legislation requires that the County contribute an amount equal to 5 percent of the employee's base salary each month for all law enforcement officers. Example County also makes a 5 percent contribution for all other employees employed at least half time. All covered employees may make voluntary contributions to the plan. The County's contributions for each employee (and interest allocated to the employee's account) are fully vested immediately.

### NOTE 15. Law Enforcement Officers' Special Separation Allowance

.62 *Plan Description.* Example County administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Separation Allowance is reported in the County's financial statements as a pension trust fund and a separate report is not issued.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2011, the Separation Allowance's membership consisted of:

Retirees receiving benefits	55
Active plan members	<u>386</u>
Total	<u><u>441</u></u>

*Basis of Accounting.* Employer contributions to the plan are recognized when due and when the County has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

*Methods Used to Value Investments.* Investments are reported at fair value. Short-term debt, deposits, repurchase agreements, and the North Carolina Capital Management Trust investments are reported at fair value. Certain longer-term United States Government and Agency securities are valued at the last reported sales price.

*Contributions.* The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the fiscal year ended June 30, 2012, the County contributed \$746,830, or 4.0 percent of annual covered payroll. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed by the General Fund.

The annual required contribution for the fiscal year ended June 30, 2012 was determined as part of the December 31, 2010 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) a 5.00 percent investment rate of return and (b) projected salary increases ranging from 4.25 percent per year to 7.85 percent per year and (c) an inflation component of 3.00 percent. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level percent of pay on an open basis. The remaining amortization period at December 31, 2010 was 20 years.

*Funded Status and Funding Progress.* As of December 31, 2011, the most recent actuarial valuation date, the plan was 12.76 percent funded. The actuarial accrued liability for benefits was \$10,585,001, and the actuarial

value of assets was \$1,350,904 resulting in an unfunded actuarial accrued liability (UAAL) of \$9,234,097. The covered payroll (annual payroll of active employees covered by the plan) was \$18,748,384, and the ratio of the UAAL to the covered payroll was 49.25 percent.

**Trend Information:**

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (asset)</u>
June 30, 2010	\$763,053	97.63%	\$(1,122,217)
June 30, 2011	972,443	76.61%	(894,774)
June 30, 2012	932,644	80.08%	(708,960)

The County’s annual pension cost and net pension obligation (asset) to the Separation Allowance for the current year were as follows:

Annual required contribution	\$924,005
Interest on net pension obligation	(44,739)
Adjustment to annual required contribution	<u>53,378</u>
Annual pension cost	932,644
Contributions made	<u>746,830</u>
Decrease in net pension obligation	185,814
Net pension obligation (asset), beginning of year	<u>(894,774)</u>
Net pension asset, end of year	<u><u>\$(708,960)</u></u>

**NOTE 16. Register of Deeds’ Supplemental Pension Fund**

**.63 Plan Description.** Example County also contributes to the Registers of Deeds’ Supplemental Pension Fund (FUND), a noncontributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any county register of deeds who is retired under the Local Governmental Employees’ Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Registers of Deeds’ Supplemental Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State’s CAFR includes financial statements and required supplementary information for the Registers of Deeds’ Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

**Funding Policy.** On a monthly basis, the County remits to the Department of State Treasurer an amount equal to one and one half percent (1.5 percent) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides 93 percent of the amount in the fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining 7 percent of the Fund’s assets may be used by the Department of State Treasurer in administering the Fund. For the fiscal year ended June 30, 2012, the County’s actual and required contributions were \$95,349.

**NOTE 17. Post-Employment Benefits**

.64 The County has elected to provide death benefits to employees through the Death Trust Plan for members of the Local Government Employees' Retirement System (Death Trust Plan), a multiple-employer State-administered cost-sharing plan funded on a one-year term cost basis. The beneficiaries of these employees' who die in active service after one year of contributing membership in the System, or who die within 180 days after termination of service or retirement and have at least one year of contributing membership in the system at the time of death are eligible to receive death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death; however, the benefit may not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State of North Carolina.

Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. For the fiscal year ended June 30, 2012 the County made contributions to the State for death benefits of \$135,851. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .07 percent and .14 percent of covered payroll, respectively. The contributions to the Death Trust are not separated between the post-employment benefit amount and the other benefit amount, as the amounts cannot be reasonably estimated.

**NOTE 18. Other Post-Employment Benefits**

.65 *Plan Description.* In addition to providing pension benefits, Example County has elected to provide healthcare benefits, as a single-employer defined benefit plan to retirees of the County. As of April 15, 2007, this plan provides postemployment healthcare benefits to retirees of the County, provided that they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least twenty years of creditable service with the County. Prior to April 15, 2007, employees qualified for similar level of benefits after at least five years of creditable service with the County depending on date of hire. Employees hired on or after June 30, 2011 are not eligible to participate in the plan. Retirees are eligible to receive the same benefits as active County employees. The County pays the costs of coverage for these benefits as incurred on a pay-as-you-go basis. Also, retirees can purchase coverage for their dependents at the County's group rates.

Membership in the plan included the following at December 31, 2011, the date of the latest actuarial valuation:

Retirees receiving benefits	775
Active plan members	3,475
Total	<u>4,250</u>

*Funding Policy.* The County pays the full cost of coverage for the healthcare benefits paid to qualified retirees under a County resolution that can be amended by the Board of Commissioners. Retirees can purchase coverage for their dependents at the County's group rates. The County has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 13.69 percent of annual covered payroll. For the current year, the County contributed \$4,042,383 or 2.45 percent of annual covered payroll. The County's medical coverage is self-insured, which is administered by an outside provider. There were no contributions made by employees, except for dependent coverage for retirees in the amount of \$613,454.

*Summary of Significant Accounting Policies.* Post-employment expenditures are made from the County's General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they become due.

*Annual OPEB cost and Net OPEB Obligation.* The County’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County’s net OPEB obligation for the healthcare benefits:

Annual required contribution	\$22,572,789
Interest on net OPEB obligation	2,149,211
Adjustment to annual required contribution	<u>(2,805,811)</u>
Annual OPEB cost	21,916,189
Contributions made	<u>4,042,383</u>
Increase in net OPEB obligation	17,873,806
Net OPEB liability, beginning of year	<u>47,760,237</u>
Net OPEB liability, end of year	<u><u>\$65,634,043</u></u>

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows:

<i>Fiscal Year Ended</i>	<i>Annual OPEB Cost</i>	<i>Percentage of Annual OPEB Cost Contributed</i>	<i>Net OPEB Liability</i>
2010	\$14,846,383	26.1%	\$33,643,425
2011	16,560,769	21.0%	47,760,237
2012	21,916,189	11.2%	65,634,043

As of December 31, 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits, and thus, the unfunded actuarial accrued liability (UAAL) was \$220,874,828. The covered payroll (annual payroll of active employees covered by the plan) was \$164,876,210, and the ratio of the UAAL to the covered payroll was 134.0 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, mortality, and healthcare trends. 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.* 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 at 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 assets, consistent with the long-term perspective of the calculations.

In the December 31, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.50 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer’s own investments calculated based on the funded level of the plan at the valuation date, an inflation rate of 3.00 percent and an annual medical cost trend increase of 9.50 to 5.00 percent for pre-Medicare and 7.00 to 5.00 percent for post-Medicare, each

over 7 years. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2011 was 30 years.

### **NOTE 19. Commitments and Contingencies**

.66 The County is a party to some pending civil actions which are being vigorously defended. The County Attorney estimates that the potential liability resulting from such litigation not covered by insurance or barred by sovereign immunity is not material and would not have a substantial adverse effect on the financial position of the County as of June 30, 2012.

### **NOTE 20. Closure and Postclosure Landfill Costs**

.67 The County owns six solid waste landfills which are accounted for in the Solid Waste Operating Fund and the South Example Landfill Partnership Fund. State and Federal laws and regulations require the County to place a final cover on its landfills when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The current estimate of closure and postclosure maintenance and monitoring costs is approximately \$19.6 million. The landfill closure and postclosure liability of \$16,426,769 is included as a line item under the noncurrent liabilities in the Solid Waste Operating Fund and the South Example Landfill Partnership Fund at June 30, 2012. The liability represents a cumulative amount reported to date based on the following facilities.

The North Example Unlined Landfill and the Feltonville Unlined Landfill have been closed for approximately thirteen years and no additional closure costs are expected at these facilities. The County is currently responsible for monitoring these sites for an additional 16 years for post-closure care. In fiscal year 2009 the County detected a small amount of groundwater contamination during its assessment process. The County has developed a Corrective Action Plan which addresses this issue. The preliminary estimates of the costs associated with the corrective action plan are included in the post-closure estimates for these facilities.

Both the North Example and Feltonville Construction and Demolition facilities stopped accepting waste in fiscal year 2004. The North Example Construction and Demolition facility reached capacity in August 2003. Bids were received and a contract was awarded for closure of the facility in late 2003. The closure construction was successfully completed in early 2004. Therefore no further closure funds need to be reserved for fiscal year 2005 or beyond. Post-closure costs associated with this facility will be covered by the post-closure funds set aside for the adjacent Subtitle D and unlined landfill. The closure contract for the Feltonville Construction and Demolition facility was bid and awarded in fiscal year 2004. The closure construction was completed in fiscal year 2005. No further closure funds need to be reserved in fiscal year 2005 or beyond. Post-closure costs associated with this facility will be covered by the post-closure funds set aside for the adjacent unlined landfill.

The North Example Subtitle Design Facility has been closed since May 2008. Bids were received and a contract was awarded for closure of the facility in May 2008. The closure construction was successfully completed in 2009. Therefore no further closure funds need to be reserved for fiscal year 2010 or beyond. The County will continue to monitor this facility for post-closure care for an additional 26 years.

The South Example Subtitle Design Facility began operations in February 2008 and is in its first phase of five total phases. At June 30, 2012, Phase 1 is estimated to be 70 percent full and will close in or around May, 2014. The entire landfill is estimated to close June 2037. The County will recognize the remaining estimated cost of closure and post-closure care costs of \$3.2 million as the remaining estimated capacity is filled. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.



**NOTE 21. Pollution Remediation Liability**

.68 During fiscal year 2010, the County received notification from the North Carolina Department of Environment and Natural Resources Division of Waste Management (NCDENR) regarding post closure activities associated with the closed East Example Landfill. Groundwater contamination and other volatile compounds have been detected at levels above the State groundwater standards. The County has signed a contract with an Engineering firm to perform a site assessment of the land in question. Prior to the completion of the site assessment, the County is not able to reasonably estimate the entire costs of clean up that may be required. Clean-up activities may include ground water monitoring, landfill gas monitoring and final cap repair. The County may be able to recover a portion of the costs associated with this project related to a certain parcel of land, at this time the amount of recoveries is not known so it was not included in the pollution remediation liability. At June 30, 2012, \$72,980 of pollution remediation liabilities were included in accounts payable and accrued liabilities in the Solid Waste Operating Fund.

**NOTE 22. Fund Balance**

.69 The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation:

Total fund balance—General Fund:	<u>\$175,698,244</u>
Less:	
Inventories	329,670
Noncurrent receivables	350,409
Stabilization by State Statute	61,577,460
Register of deeds automation	310,538
Revaluation reserve	3,468,905
Working capital	109,629,660
Subsequent year’s expenditures	<u>31,602</u>
Remaining fund balance	<u><u>\$—</u></u>

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. These amounts are included in the Stabilization by State Statute amount in restricted fund balance. Amounts outstanding at June 30, 2012 are as follows:

	<u>Major Funds</u>				<u>Nonmajor Funds</u>	
<u>General Fund</u>	<u>Affordable Housing Fund</u>	<u>Major Facilities Fund</u>	<u>Debt Service Fund</u>	<u>County Capital Projects Fund</u>	<u>School Capital Fund</u>	<u>Other Governmental Funds</u>
<u>\$1,123,019</u>	<u>\$5,661,646</u>	<u>\$—</u>	<u>\$—</u>	<u>\$49,631,394</u>	<u>\$61,247,089</u>	<u>\$2,328,741</u>

The following schedule provides information regarding the funding for the 15 percent Uncommitted Funds, as defined in the Interlocal Agreement and Amendments, within the Major Facilities Fund. To the extent that current year revenues are not sufficient for funding these projects, the County anticipates appropriating fund balance. As of June 30, 2012, fund balance in the Major Facilities Fund totaled \$1,530,762, all of which is Restricted by State Statute.

State and Local Governments

Fiscal Year	Cary Sports Facilities*	NC Art Museum	NC Ballet	NC Museum of Natural Sciences	RBC Center	St. Augustine's College Track	Whitewater Park**	Total
2008	\$—	\$6,000,000	\$150,000	\$—	\$1,000,000	\$—	\$—	\$7,150,000
2009	—	1,000,000	100,000	1,900,000	1,500,000	300,000	—	4,800,000
2010	—	1,000,000	—	700,000	1,000,000	100,000	—	2,800,000
2011	—	1,000,000	—	900,000	1,000,000	100,000	—	3,000,000
2012	—	1,000,000	—	900,000	1,000,000	100,000	—	3,000,000
<b>Payments to Date</b>	—	<b>10,000,000</b>	<b>250,000</b>	<b>4,400,000</b>	<b>5,500,000</b>	<b>600,000</b>	—	<b>20,750,000</b>
2013	400,000	1,000,000	—	800,000	1,000,000	100,000	150,000	3,450,000
2014	1,000,000	1,000,000	—	200,000	1,000,000	100,000	—	3,300,000
2015	1,000,000	1,000,000	—	200,000	1,000,000	100,000	—	3,300,000
2016	1,300,000	1,000,000	—	400,000	1,000,000	100,000	—	3,800,000
2017	1,700,000	1,000,000	—	—	1,000,000	—	—	3,700,000
2018	2,600,000	—	—	—	2,000,000	—	—	4,600,000
2019	2,000,000	—	—	—	2,000,000	—	—	4,000,000
2020	—	—	—	—	5,000,000	—	—	5,000,000
2021	—	—	—	—	5,500,000	—	—	5,500,000
2022	—	—	—	—	1,000,000	—	—	1,000,000
<b>Total</b>	<b>\$10,000,000</b>	<b>\$15,000,000</b>	<b>\$250,000</b>	<b>\$6,000,000</b>	<b>\$26,000,000</b>	<b>\$1,000,000</b>	<b>\$150,000</b>	<b>\$58,400,000</b>

\* Cary Sports Facilities include ExampleMed Soccer Park, USA Baseball Complex, and the Cary Tennis Park.

\*\* Appropriations have not yet been made and are pending executed funding agreements.

**NOTE 23. Comparative Data/Reclassifications**

.70 Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the County's financial position and operations. Comparative totals have not been included on the statements where their inclusion would not provide an enhanced understanding of the County's financial position or would cause the statements to be unduly complex or difficult to understand. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

**NOTE 24. Discretely Presented Component Unit Disclosure**

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**(1) Deposits and Investment**

The deposits and investments of the ABC Board are governed by the same North Carolina General Statutes and generally accepted accounting principles that are applicable to the County. These statutes and other reporting requirements are found in Note 4.

*Deposits:* At June 30, 2012, the Board's deposits had a carrying amount of \$15,774,011 and a bank balance of \$15,369,924. All of the bank balance was either insured by federal depository insurance, or collateralized under the pooling method.

*Investments:* State law [G.S. 159-30(c)] authorized the Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; certain high quality issues of commercial paper and banker's acceptances; and the North Carolina Capital Management Trust (NCCMT), an SEC registered (2a-7) money market mutual fund.

The NCCMT Cash Portfolio's securities are valued at fair value, which is the NCCMT's share price. This investment, valued at \$449,886, is included in cash and cash equivalents.

**(2) Risk Management**

The ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The ABC Board has property, general liability, auto liability, workers' compensation and employee health coverage. The ABC Board also has liquor legal liability coverage.

There have been no significant reductions in insurance coverage from coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

In accordance with G.S. 18B-700(i), each board member is bonded in the amount of \$100,000, secured by a corporate surety.

In accordance with G.S. 18B-803(b) and (c), the store manager and employees are bonded for \$100,000.

Required Supplementary Information

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EXAMPLE COUNTY, NORTH CAROLINA  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE—  
REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-		Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a % of Covered Payroll ((b-a) / c)
		Projected Unit Credit (b)					
12/31/2002	\$2,587,018	\$6,144,460		\$3,557,442	42.10%	\$12,471,841	28.52%
12/31/2003	3,142,240	6,410,126		3,267,886	49.02%	13,512,764	24.18%
12/31/2004	2,640,759	7,147,681		4,506,922	36.95%	14,453,419	31.18%
12/31/2005	2,599,117	7,091,401		4,492,284	36.65%	14,936,129	30.08%
12/31/2006	2,504,432	7,726,749		5,222,317	32.41%	15,690,512	33.28%
12/31/2007	2,406,714	8,506,194		6,099,480	28.29%	17,086,023	35.70%
12/31/2008	2,178,004	9,001,090		6,823,086	24.20%	18,008,068	37.89%
12/31/2009	1,938,530	11,387,164		9,448,634	17.02%	18,562,071	50.90%
12/31/2010	1,657,751	10,699,329		9,041,578	15.49%	18,662,735	48.45%
12/31/2011	1,350,904	10,585,001		9,234,097	12.76%	18,748,384	49.25%

*Schedule of Employer Contributions*

<i>Year Ended June 30</i>	<i>Annual Required Contribution</i>	<i>Percentage Contributed</i>
2003	\$410,600	51.02%
2004	503,145	100.00%
2005	498,334	130.64%
2006	599,284	89.77%
2007	551,806	115.44%
2008	618,438	100.00%
2009	693,913	100.44%
2010	768,996	96.88%
2011	965,832	77.14%
2012	924,005	80.83%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	12/31/2011	Actuarial Assumptions:	
Actuarial cost method	Projected unit credit	Investment rate of return	5.00%
Amortization method	Level percent of pay open	Projected salary increases	4.25% to 7.85%
Remaining amortization period	20 years	Includes inflation at	3.00%
Asset Valuation method	Market Value	Cost of Living adjustments	None

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**EXAMPLE COUNTY, NORTH CAROLINA**  
**OTHER POST-EMPLOYMENT BENEFITS (OPEB)—**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**PAY AS YOU GO—ACTUARY METHOD**  
*Schedule of Funding Progress*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Projected Unit Credit (b)	Unfunded AAL (LIAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	LIAAL as a % of Covered Payroll ((b-a) / c)
7/1/2007	\$—	\$157,412,725	\$157,412,725	0.00%	\$168,991,714	93.1%
12/31/2008	—	179,179,404	179,179,404	0.00%	171,841,892	104.3%
12/31/2009	—	192,103,016	192,103,016	0.00%	175,306,115	109.6%
12/31/2011	—	220,874,828	220,874,828	0.00%	164,876,210	134.0%

*Schedule of Employer Contributions*

<i>Year Ended June 30</i>	<i>Annual Required Contribution</i>	<i>Percentage Contributed</i>
2008	\$14,918,567	23.0%
2009	14,918,567	26.0%
2010	14,666,675	23.7%
2011	16,289,306	15.0%
2012	22,572,789	17.9%

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	12/31/2011
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay, closed
Remaining amortization period	30 years
Asset Valuation method	Market Value of Assets

Actuarial Assumptions:	
Investment rate of return	4.50%
Medical cost trendrate—pre-Medicare	9.5%–5.00%
Medical cost trend rate—post-Medicare	7.00%–5.00%
Year of ultimate trend rate	2018
Includes inflation at	3.00%

## General Fund

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**EXAMPLE COUNTY, NORTH CAROLINA  
GENERAL FUND  
COMPARATIVE BALANCE SHEETS  
As of June 30, 2012 and 2011**

	<i>June 30, 2012</i>	<i>June 30, 2011</i>
ASSETS		
Cash and investments—pooled equity	\$147,808,223	\$142,314,388
Cash and investments—cash equivalents	1,052,712	823,171
Cash and investments—restricted	3,784,555	3,136,122
Taxes receivable (net)	7,643,014	8,950,645
Accounts receivable (net)	64,057,902	51,409,552
Due from other funds	—	605,859
Prepaid expenditures	585,016	1,936,463
Accrued interest receivable	21,731	27,244
Inventories	329,670	358,634
TOTAL ASSETS	\$225,282,823	\$209,562,078
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable and accrued liabilities	\$35,253,810	\$34,977,948
Due to other governmental units	177,706	80,296
Deferred revenues	14,153,063	15,051,975
Total Liabilities	49,584,579	50,110,219
Fund Balance:		
Nonspendable:		
Inventories	329,670	358,634
Noncurrent receivable	350,409	395,236
Restricted:		
Stabilization by State statute	61,577,460	53,231,845
Register of deeds automation	310,538	455,638
Committed:		
Revaluation reserve	3,468,905	2,628,106
Working capital	109,629,660	102,279,156
Assigned:		
Planned expenditures	31,602	103,244
Total Fund Balance	175,698,244	159,451,859
TOTAL LIABILITIES AND FUND BALANCE	\$225,282,823	\$209,562,078



**EXAMPLE COUNTY, NORTH CAROLINA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL**

**For the Year Ended June 30, 2012  
With Comparative Actual Amounts for the Year Ended June 30, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative)</u>	<u>Actual</u>
<b>REVENUES:</b>				
Taxes	\$759,044,607	\$776,440,214	\$17,395,607	\$757,667,696
Licenses and permits	3,048,564	3,413,382	364,818	3,031,172
Intergovernmental	123,082,348	119,334,660	(3,747,688)	122,958,437
Charges for services	65,118,800	65,471,200	352,400	56,520,256
Investment earnings	39,754	40,237	483	55,903
Miscellaneous	428,034	360,173	(67,861)	655,825
<b>Total Revenues</b>	<u>950,762,107</u>	<u>965,059,866</u>	<u>14,297,759</u>	<u>940,889,289</u>
<b>EXPENDITURES:</b>				
Current:				
General administration	46,753,902	44,734,430	2,019,472	43,337,863
Human services	213,405,177	211,029,938	2,375,239	212,006,433
Education	330,402,642	330,402,642	—	329,494,274
Community development and cultural	25,794,841	25,224,320	570,521	25,440,833
Environmental services	7,960,633	7,643,371	317,262	7,935,913
General services administration	21,561,631	21,081,514	480,117	23,790,814
Public safety	102,260,311	101,049,020	1,211,291	87,090,515
<b>Total Expenditures</b>	<u>748,139,137</u>	<u>741,165,235</u>	<u>6,973,902</u>	<u>729,096,645</u>
<b>REVENUES OVER EXPENDITURES</b>	<u>202,622,970</u>	<u>223,894,631</u>	<u>21,271,661</u>	<u>211,792,644</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	2,199,618	2,180,070	(19,548)	4,601,749
Transfers out	(209,828,316)	(209,828,316)	—	(209,192,860)
<b>Total Other Financing Sources (Uses)</b>	<u>(207,628,698)</u>	<u>(207,648,246)</u>	<u>(19,548)</u>	<u>(204,591,111)</u>

(continued)

	2012		2011	
	Budget	Actual	Variance Positive/ (Negative)	Actual
REVENUES AND OTHER SOURCES UNDER EXPENDITURES AND OTHER USES	(5,005,728)	16,246,385	21,252,113	7,201,533
APPROPRIATED FUND BALANCE	5,005,728	—	(5,005,728)	—
REVENUES, OTHER FINANCING SOURCES, AND APPROPRIATED FUND BALANCE UNDER EXPENDITURES AND OTHER USES	\$—	16,246,385	\$16,246,385	7,201,533
FUND BALANCE, BEGINNING OF YEAR		159,451,859		152,250,326
BUDGETARY FUND BALANCE		175,698,244		159,451,859
LESS: EXPENDITURES ASSOCIATED WITH CAPITAL LEASE INCEPTION & CAPITAL DONATIONS		(7,573)		(139,713)
ADD: PROCEEDS OF CAPITAL LEASES & CAPITAL DONATIONS		7,573		139,713
TOTAL LEASE INCEPTION AND PROCEEDS		—		—
FUND BALANCE AT END OF YEAR		\$175,698,244		\$159,451,859

**EXAMPLE COUNTY, NORTH CAROLINA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
DETAILED BUDGET AND ACTUAL**

For the Year Ended June 30, 2012

With Comparative Actual Amounts for the Year Ended June 30, 2011

	2012	2011	
	Budget	Actual	
		Variance Positive/ (Negative)	
	Actual	Actual	
<b>REVENUES:</b>			
<b>TAXES</b>			
Ad valorem property—current	\$629,846,000	\$635,148,500	\$5,302,500
Ad valorem property—prior	6,550,000	7,337,564	787,564
Tax penalties, interest and other	2,250,000	3,238,983	988,983
Sales	111,868,186	120,834,877	8,966,691
Leased rental vehicle tax	2,500,000	2,508,644	8,644
Real property transfer	4,800,000	6,120,634	1,320,634
Payments in lieu of taxes	1,230,421	1,251,012	20,591
Total Taxes	<u>759,044,607</u>	<u>776,440,214</u>	<u>17,395,607</u>
			<u>\$626,214,309</u>
			6,071,654
			3,027,698
			114,034,923
			2,416,367
			4,652,739
			1,250,006
			<u>757,667,696</u>
<b>LICENSES AND PERMITS</b>			
Beer and wine licenses	55,000	79,338	24,338
Marriage licenses	159,500	149,680	(9,820)
Building permits and inspections	2,834,064	3,184,364	350,300
Total Licenses and Permits	<u>3,048,564</u>	<u>3,413,382</u>	<u>364,818</u>
			72,033
			148,344
			2,810,795
			<u>3,031,172</u>
<b>INTERGOVERNMENTAL REVENUE</b>			
Federal and State:			
Human services	\$110,189,452	\$105,634,701	\$(4,554,751)
Payments in lieu of taxes	235,685	259,478	23,793
Public library	520,000	548,324	28,324
Public safety	1,378,599	1,654,493	275,894
Others	1,885,500	2,515,577	630,077
Total Federal and State	<u>114,209,236</u>	<u>110,612,573</u>	<u>(3,596,663)</u>
			\$111,169,949
			242,082
			616,335
			1,070,372
			2,690,009
			<u>115,788,747</u>

(continued)

	2012		Variance Positive/ (Negative)	2011
	Budget	Actual		Actual
Local:				
ABC Board	8,600,000	8,433,333	(166,667)	7,083,333
Human services	158,204	153,807	(4,397)	1,200
Others	114,908	134,947	20,039	85,157
Total Local	<u>8,873,112</u>	<u>8,722,087</u>	<u>(151,025)</u>	<u>7,169,690</u>
Total Intergovernmental	<u>123,082,348</u>	<u>119,334,660</u>	<u>(3,747,688)</u>	<u>122,958,437</u>

EXAMPLE COUNTY, NORTH CAROLINA  
 GENERAL FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 DETAILED BUDGET AND ACTUAL (continued)

For the Year Ended June 30, 2012  
 With Comparative Actual Amounts for the Year Ended June 30, 2011

	2012	2011	
	Budget	Actual	
		Actual	
		Variance Positive/ (Negative)	
<b>CHARGES FOR SERVICES</b>			
Environmental	\$364,390	\$395,493	\$31,103
Client Fees	1,514,917	1,230,429	(284,488)
Insurance	1,168,901	1,097,338	(71,563)
Medicaid Fees	21,385,336	21,758,670	373,334
Medicare Fees	276,983	258,061	(18,922)
HS Reimbursements	629,298	595,563	(33,735)
Inspection Fees	519,445	485,868	(33,577)
Library Fees	481,000	535,691	54,691
Parks & Recreation Fees	124,422	135,107	10,685
EMS Fees	21,116,845	21,573,492	456,647
Facility Use Fees	200,000	256,118	56,118
Fire/Rescue Fees	224,660	276,021	51,361
Sheriff Fees	3,525,762	3,548,336	22,574
Transportation Fees	507,545	701,317	193,772
Planning Fees	184,210	328,563	144,353
Court Facility Fees	1,610,085	1,340,638	(269,447)
Parking Fees	670,000	667,568	(2,432)
Rental/lease income	254,320	108,351	(145,969)
Real Estate Record Fees	5,243,800	5,023,993	(219,807)
Reimbursements	2,480,856	2,358,638	(122,218)
Tax Collection Fees	740,000	790,262	50,262
Vending Income	665,375	604,764	(60,611)
Other Fees and Charges	1,230,650	1,400,919	170,269
Total Charges for Services	65,118,800	65,471,200	352,400
<b>INVESTMENT EARNINGS</b>	39,754	40,237	483
			55,903
			(continued)

	2012		Variance Positive/ (Negative)	2011
	Budget	Actual		Actual
MISCELLANEOUS				
Sale of materials and capital assets	240,684	318,786	78,102	275,629
Other	187,350	41,387	(145,963)	380,196
Total Miscellaneous	<u>428,034</u>	<u>360,173</u>	<u>(67,861)</u>	<u>655,825</u>
TOTAL REVENUES	<u>950,762,107</u>	<u>965,059,866</u>	<u>14,297,759</u>	<u>940,889,289</u>

EXAMPLE COUNTY, NORTH CAROLINA  
 GENERAL FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 DETAILED BUDGET AND ACTUAL (continued)

For the Year Ended June 30, 2012  
 With Comparative Actual Amounts for the Year Ended June 30, 2011

	Budget	Actual	Encumbrances	Total	Variance Budget vs. Actual Positive/ (Negative)	2011 Actual
<b>EXPENDITURES:</b>						
<b>GENERAL ADMINISTRATION</b>						
County commissioners	\$465,371	\$465,341	\$—	\$465,341	\$30	\$455,395
County manager	1,411,393	1,325,348	—	1,325,348	86,045	1,370,085
County attorney	1,448,773	1,448,773	—	1,448,773	—	1,377,591
Board of elections	3,947,941	3,905,195	42,656	3,947,851	42,746	2,875,288
Facilities design & construction	1,117,971	978,194	—	978,194	139,777	1,031,827
Finance	2,801,950	2,731,379	30,555	2,761,934	70,571	2,608,596
Human resources	1,874,652	1,725,484	—	1,725,484	149,168	1,624,621
Information services	11,482,852	11,207,362	247,209	11,454,571	275,490	11,449,455
Register of deeds	2,793,022	2,724,684	—	2,724,684	68,338	2,829,984
Revenue	5,942,818	4,967,462	—	4,967,462	975,356	5,019,591
Nondepartmental	11,532,908	11,320,957	316,380	11,637,337	211,951	10,511,697
Public agencies	1,934,251	1,934,251	—	1,934,251	—	2,183,733
<b>Total General Administration</b>	<b>46,753,902</b>	<b>44,734,430</b>	<b>636,800</b>	<b>45,371,230</b>	<b>2,019,472</b>	<b>43,337,863</b>
<b>HUMAN SERVICES</b>						
Medical examiner	212,600	212,600	—	212,600	—	187,500
Social services economic self sufficiency	33,839,532	33,128,862	—	33,128,862	710,670	32,180,962
Child welfare	21,568,946	21,132,877	—	21,132,877	436,069	21,137,762
Children youth and family	49,462,324	49,224,956	2,340	49,227,296	237,368	53,783,996
Public health	9,582,667	9,429,274	57,020	9,486,294	153,393	9,616,840

(continued)

	2012			2011		
	Budget	Actual	Encumbrances	Total	Variance Budget vs. Actual Positive/ (Negative)	Actual
Health clinics	15,840,181	15,715,705	—	15,715,705	124,476	16,089,715
Behavioral health Administration and operations	16,398,706	16,247,548	—	16,247,548	151,158	16,646,753
Local management entity	25,272,074	25,426,155	—	25,426,155	(154,081)	23,509,184
	41,228,147	40,511,961	—	40,511,961	716,186	38,853,721
Total Human Services	<u>213,405,177</u>	<u>211,029,938</u>	<u>59,360</u>	<u>211,089,298</u>	<u>2,375,239</u>	<u>212,006,433</u>



EXAMPLE COUNTY, NORTH CAROLINA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
DETAILED BUDGET AND ACTUAL (continued)

For the Year Ended June 30, 2012  
With Comparative Actual Amounts for the Year Ended June 30, 2011

	Budget	Actual	Encumbrances	Total	Variance Budget vs. Actual Positive/ (Negative)	2011 Actual
<b>EDUCATION</b>						
Example County Public Schools:						
Current expense	\$311,759,998	\$311,759,998	\$—	\$311,759,998	\$—	\$312,059,879
Capital outlay	2,651,594	2,651,594	—	2,651,594	—	1,443,345
Total Example County Public Schools	314,411,592	314,411,592	—	314,411,592	—	313,503,224
Example Technical College:						
Current expense	15,991,050	15,991,050	—	15,991,050	—	15,991,050
Total Example Technical College	15,991,050	15,991,050	—	15,991,050	—	15,991,050
Total Education	330,402,642	330,402,642	—	330,402,642	—	329,494,274
<b>COMMUNITY DEVELOPMENT AND CULTURAL</b>						
Community Development:						
Administration	516,841	505,330	—	505,330	11,511	503,647
Parks and recreation	2,411,278	2,330,084	73,490	2,403,574	81,194	2,105,848
Building inspections	3,513,374	3,493,033	—	3,493,033	20,341	3,586,941
Veterans services	263,290	222,844	—	222,844	40,446	252,871
Geographic information services	1,635,125	1,616,999	—	1,616,999	18,126	1,575,744
Public libraries	17,454,933	17,056,030	78,647	17,134,677	398,903	17,415,782
Total Community Development and Cultural	25,794,841	25,224,320	152,137	25,376,457	570,521	25,440,833

(continued)

State and Local Governments

	2012			2011
	Budget	Actual	Encumbrances	Total
				Variance Budget vs. Actual Positive/ (Negative)
				Actual
EXPENDITURES:				
ENVIRONMENTAL SERVICES				
Environmental services	\$7,960,633	\$7,643,371	\$14,516	\$7,657,887
Total Environmental Services	7,960,633	7,643,371	14,516	7,657,887
				\$317,262
				317,262
				\$7,935,913
				7,935,913
GENERAL SERVICES ADMINISTRATION				
General services administration	21,561,631	21,081,514	154,765	21,236,279
Total General Services Administration	21,561,631	21,081,514	154,765	21,236,279
				480,117
				480,117
				23,790,814
				23,790,814
PUBLIC SAFETY				
Sheriff Department:				
Sheriff	33,432,489	34,113,388	74,069	34,187,457
Detention	31,790,464	30,348,141	—	30,348,141
Total Sheriff Department	65,222,953	64,461,529	74,069	64,535,598
CCBI	4,860,075	4,708,071	—	4,708,071
Emergency medical services	29,077,796	29,068,117	9,678	29,077,795
Fire and emergency management	2,012,085	1,877,083	21,694	1,898,777
Public safety communications	1,087,402	934,220	—	934,220
Total Public Safety	102,260,311	101,049,020	105,441	101,154,461
				135,002
				153,182
				1,211,291
				929,525
				87,090,515
TOTAL EXPENDITURES	748,139,137	741,165,235	1,123,019	742,288,254
				6,973,902
				729,096,645

**EXAMPLE COUNTY, NORTH CAROLINA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
DETAILED BUDGET AND ACTUAL (continued)  
For the Year Ended June 30, 2012  
With Comparative Actual Amounts for the Year Ended June 30, 2011**

	2012			2011
	<i>Budget</i>	<i>Actual</i>	<i>Variance Positive/ (Negative)</i>	<i>Actual</i>
REVENUES OVER EXPENDITURES	<u>\$202,622,970</u>	<u>\$223,894,631</u>	<u>\$21,271,661</u>	<u>\$211,792,644</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,199,618	2,180,070	(19,548)	4,601,749
Transfers out	<u>(209,828,316)</u>	<u>(209,828,316)</u>	<u>—</u>	<u>(209,192,860)</u>
Total Other Financing Sources (Uses)	<u>(207,628,698)</u>	<u>(207,648,246)</u>	<u>(19,548)</u>	<u>(204,591,111)</u>
REVENUES AND OTHER SOURCES OVER (UNDER)				
EXPENDITURES AND OTHER USES	(5,005,728)	16,246,385	21,252,113	7,201,533
APPROPRIATED FUND BALANCE	<u>5,005,728</u>	<u>—</u>	<u>(5,005,728)</u>	<u>—</u>
REVENUES, OTHER FINANCING SOURCES, AND APPROPRIATED FUND BALANCE OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$—</u>	<u>16,246,385</u>	<u>\$16,246,385</u>	<u>7,201,533</u>
FUND BALANCE, BEGINNING OF YEAR, RESTATED		<u>159,451,859</u>		<u>152,250,326</u>
BUDGETARY FUND BALANCE		<u>175,698,244</u>		<u>159,451,859</u>
LESS: EXPENDITURES ASSOCIATED WITH INCEPTION OF CAPITAL LEASES AND NOTE PAYABLES		(7,573)		(139,713) <i>(continued)</i>

## State and Local Governments

	2012		2011
	<i>Budget</i>	<i>Actual</i>	<i>Actual</i>
ADD: PROCEEDS OF CAPITAL LEASES AND NOTE PAYABLES		<u>7,573</u>	<u>139,713</u>
TOTAL LEASE INCEPTIONS		<u>—</u>	<u>—</u>
FUND BALANCE AT END OF YEAR		<u>\$175,698,244</u>	<u>\$159,451,859</u>

**Schedules of Revenues, Expenditures and Changes in Fund Balances—Major Governmental Funds**

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**EXAMPLE COUNTY, NORTH CAROLINA  
AFFORDABLE HOUSING FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
From Project Inception Through June 30, 2012**

	<i>Project Authorization</i>	<i>Actual</i>		
		<i>Prior Years</i>	<i>Current Year</i>	<i>Total To Date</i>
<b>REVENUES:</b>				
Intergovernmental	\$24,020,223	\$13,870,168	\$4,034,128	\$17,904,296
Charges for services	2,360,699	1,746,339	363,674	2,110,013
Investment earnings	58,615	250,946	—	250,946
Miscellaneous	62,801	46,348	—	46,348
<b>Total Revenues</b>	<u>26,502,338</u>	<u>15,913,801</u>	<u>4,397,802</u>	<u>20,311,603</u>
<b>EXPENDITURES:</b>				
Human Services				
County funded	12,997,810	8,548,408	2,136,486	10,684,894
Housing and community revitalization	15,216,933	8,124,612	2,021,264	10,145,876
Home grant	6,324,038	1,624,380	836,308	2,460,688
Homeless prevention grants	582,164	507,726	74,438	582,164
HOPWA grants	2,722,025	1,211,724	632,728	1,844,452
<b>Total Expenditures</b>	<u>37,842,970</u>	<u>20,016,850</u>	<u>5,701,224</u>	<u>25,718,074</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(11,340,632)	(4,103,049)	(1,303,422)	(5,406,471)
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	<u>11,340,632</u>	<u>10,554,466</u>	<u>830,000</u>	<u>11,384,466</u>
<b>REVENUES AND OTHER SOURCES OVER EXPENDITURES</b>	<u>\$—</u>	<u>\$6,451,417</u>	(473,422)	<u>\$5,977,995</u>
Fund Balance at beginning of year			<u>6,451,417</u>	
<b>FUND BALANCE AT END OF YEAR</b>			<u>\$5,977,995</u>	

**EXAMPLE COUNTY, NORTH CAROLINA  
MAJOR FACILITIES FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN APPROPRIATED FUND BAL-  
ANCE  
For the Year Ended June 30, 2012**

	<i>2012</i>	
	<u><i>Budget</i></u>	<u><i>Actual</i></u>
<b>REVENUES:</b>		
Taxes:		
Occupancy tax	\$16,588,983	\$16,223,684
Prepared food tax	19,830,253	19,558,025
Total taxes	<u>36,419,236</u>	<u>35,781,709</u>
Investment earnings	<u>—</u>	<u>35,714</u>
 Total Revenues	 <u>36,419,236</u>	 <u>35,817,423</u>
<b>EXPENDITURES:</b>		
Raleigh hold harmless—occupancy	680,000	679,956
Cary hold harmless—occupancy	804,556	786,849
Greater Raleigh Convention and Visitors Bureau	4,270,029	4,181,493
Centennial Authority operations 7%	2,117,616	2,081,794
Centennial—Debt service	5,207,756	5,205,189
Raleigh annual distribution—\$1M	1,000,000	1,000,000
Convention Center	16,366,987	15,964,643
NC Museum of Art	1,000,000	1,000,000
Centennial Authority Facility Improvements	1,000,000	1,000,000
Green Square	900,000	900,000
St. Augustine's	<u>100,000</u>	<u>100,000</u>
 Total Expenditures	 <u>33,446,944</u>	 <u>32,899,924</u>
 REVENUES OVER EXPENDITURES	 2,972,292	 2,917,499
<b>OTHER FINANCING USES:</b>		
Transfers out to General Fund	(1,093,000)	(1,073,452)
Transfers out to Debt Service Fund	(991,000)	(991,000)
Transfers out to Capital Improvement Fund	<u>(1,000,000)</u>	<u>(1,000,000)</u>
Total other financing uses	<u>(3,084,000)</u>	<u>(3,064,452)</u>
 REVENUES UNDER EXPENDITURES AND OTHER FINANCING USES	 (111,708)	 (146,953)
 Appropriated fund balance	 <u>111,708</u>	 <u>—</u>

(continued)

	<u>2012</u>	
	<u>Budget</u>	<u>Actual</u>
REVENUES AND APPROPRIATED FUND BALANCE UNDER EXPENDITURES AND OTHER FINANCING USES	<u>\$—</u>	(146,953)
Fund Balance at beginning of year		<u>1,677,715</u>
FUND BALANCES AT END OF YEAR		<u>\$1,530,762</u>

**EXAMPLE COUNTY, NORTH CAROLINA**  
**DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2012**

	<i>2012</i>	
	<u><i>Budget</i></u>	<u><i>Actual</i></u>
<b>REVENUES:</b>		
Intergovernmental	\$13,002,174	\$13,972,423
Investment earnings	<u>9,621,000</u>	<u>3,484,159</u>
Total revenues	22,623,174	17,456,582
<b>EXPENDITURES:</b>		
Debt service—principal	171,122,367	164,498,331
Debt service—interest	92,347,993	88,561,925
Future appropriated reserves	—	—
Miscellaneous	<u>317,600</u>	<u>308,604</u>
Total expenditures	<u>263,787,960</u>	<u>253,368,860</u>
REVENUES UNDER EXPENDITURES	(241,164,786)	(235,912,278)
<b>OTHER FINANCING SOURCES:</b>		
Transfers in	222,893,960	222,893,960
Refunding bonds issued	—	75,290,000
Premiums on issuance	4,000,000	34,925,590
Payment to refunded bond escrow agent	—	<u>(94,006,298)</u>
Total Other Financing Sources (Uses)	<u>226,893,960</u>	<u>239,103,252</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	(14,270,826)	3,190,974
APPROPRIATED FUND BALANCE	<u>14,270,826</u>	<u>—</u>
REVENUES, OTHER FINANCING SOURCES, AND APPROPRIATED FUND BALANCE OVER EXPENDITURES AND OTHER USES	<u>\$—</u>	3,190,974
Fund Balance at beginning of year		<u>166,155,376</u>
FUND BALANCES AT END OF YEAR		<u><u>\$169,346,350</u></u>



**EXAMPLE COUNTY, NORTH CAROLINA  
COUNTY CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
From Project Inception Through June 30, 2012**

	<i>Actual</i>			<i>Total To Date</i>
	<i>Project Authorization</i>	<i>Prior Years</i>	<i>Current Year</i>	
<b>REVENUES:</b>				
Taxes	\$612,910	\$615,502	\$762	\$616,264
Intergovernmental	16,638,156	14,394,384	2,943,889	17,338,273
Charges for services	9,081,904	6,708,925	1,146,255	7,855,180
Investment earnings	32,011,490	34,124,797	—	34,124,797
Miscellaneous	1,138,697	1,864,667	—	1,864,667
<b>Total Revenues</b>	<u>59,483,157</u>	<u>57,708,275</u>	<u>4,090,906</u>	<u>61,799,181</u>
<b>EXPENDITURES—CAPITAL PROJECTS:</b>				
Capital projects:				
Automation CIP	27,287,053	16,910,907	5,311,080	22,221,987
Community capital projects	2,405,000	1,655,000	395,000	2,050,000
County building improvements	41,916,292	29,236,816	6,678,262	35,915,078
Criminal justice CIP	389,636,981	244,910,825	85,456,307	330,367,132
Public libraries CIP	12,832,029	2,707,339	1,848,868	4,556,207
Open space	11,103,083	1,972,316	5,851,356	7,823,672
Parks and recreation CIP	5,047,420	3,163,656	714,293	3,877,949
Public safety CIP	20,703,809	16,836,473	1,536,739	18,373,212
Water and sewer	26,965,747	18,594,106	4,457,344	23,051,450
Economic development	10,772,225	4,110,721	1,561,119	5,671,840
Program wide projects	3,781,000	—	—	—
<b>Total Expenditures</b>	<u>552,450,639</u>	<u>340,098,159</u>	<u>113,810,368</u>	<u>453,908,527</u>
<b>REVENUES UNDER EXPENDITURES</b>	<u>(492,967,482)</u>	<u>(282,389,884)</u>	<u>(109,719,462)</u>	<u>(392,109,346)</u>

*(continued)*

	Project Authorization		Actual		Total To Date
	Prior Years	Current Year	Prior Years	Current Year	
<b>OTHER FINANCING SOURCES AND (USES):</b>					
Transfers in	181,557,365	25,556,000	156,001,365	25,556,000	181,557,365
Transfers out	(18,127,182)	(4,770,000)	(13,357,182)	(4,770,000)	(18,127,182)
Bonds issued	17,132,747	—	17,748,556	—	17,748,556
Limited obligation bonds issued	301,310,923	—	301,310,923	—	301,310,923
Premiums on issuance	11,093,629	—	11,140,000	—	11,140,000
<b>Total Other Financing Sources and (Uses)</b>	<u>492,967,482</u>	<u>20,786,000</u>	<u>472,843,662</u>	<u>20,786,000</u>	<u>493,629,662</u>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>\$—</u>		<u>\$190,453,778</u>	<u>(88,933,462)</u>	<u>\$101,520,316</u>
Fund Balance at beginning of year				<u>190,453,778</u>	
<b>FUND BALANCE AT END OF YEAR</b>				<u><u>\$101,520,316</u></u>	

**EXAMPLE COUNTY, NORTH CAROLINA  
SCHOOL CAPITAL FUND  
SCHEDULE OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
From Project Inception Through June 30, 2012**

	<i>Actual</i>			<i>Total To Date</i>
	<i>Project Authorization</i>	<i>Prior Years</i>	<i>Current Year</i>	
<b>REVENUES:</b>				
Intergovernmental	\$34,573,667	\$34,573,666	\$—	\$34,573,666
Lottery proceeds	16,613,874	16,613,874	—	16,613,874
Investment earnings	71,583,224	76,598,628	83,438	76,682,066
Miscellaneous	53,509	53,509	—	53,509
<b>Total Revenues</b>	<u>122,824,274</u>	<u>127,839,677</u>	<u>83,438</u>	<u>127,923,115</u>
<b>EXPENDITURES—CAPITAL PROJECTS:</b>				
Example County Public Schools	1,687,545,394	1,436,487,532	98,426,943	1,534,914,475
<b>TOTAL EXPENDITURES</b>	<u>1,687,545,394</u>	<u>1,436,487,532</u>	<u>98,426,943</u>	<u>1,534,914,475</u>
<b>REVENUES UNDER EXPENDITURES</b>	<u>(1,564,721,120)</u>	<u>(1,308,647,855)</u>	<u>(98,343,505)</u>	<u>(1,406,991,360)</u>
<b>OTHER FINANCING SOURCES AND (USES):</b>				
Bonds issued	1,397,514,791	1,406,780,245	96,790,000	1,503,570,245
Transfers in	215,033,054	204,638,365	—	204,638,365
Transfers out	(47,826,725)	(11,162,765)	(36,663,960)	(47,826,725)
<b>Total Other Financing Sources and (Uses)</b>	<u>1,564,721,120</u>	<u>1,600,255,845</u>	<u>60,126,040</u>	<u>1,660,381,885</u>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	—	291,607,990	(38,217,465)	253,390,525
<b>Fund Balance Appropriated</b>	—	—	—	—

(continued)

	<i>Actual</i>		
	<i>Prior Years</i>	<i>Current Year</i>	<i>Total To Date</i>
REVENUES, OTHER SOURCES AND FUND BALANCE APPROPRIATED OVER EXPENDITURES AND OTHER USES	<u>\$—</u>	<u>(38,217,465)</u>	<u>\$253,390,525</u>
Fund Balance at beginning of year	<u>\$291,607,990</u>	<u>291,607,990</u>	
FUND BALANCE AT END OF YEAR		<u>\$253,390,525</u>	

## Combining and Individual Fund Statements and Schedules

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### Nonmajor Governmental Funds

#### Special Revenue Funds

Special revenue funds account for proceeds of revenue sources that are restricted to expenditures for specific purposes. These funds are established under the provisions of the North Carolina General Statutes:

- The *Grants Fund* accounts for the nonrecurring revenues and expenditures, received from grant, donations and forfeiture funds, in a multiyear fund. It was established in fiscal year 2008.
- The *Capital Area Workforce Development Fund* accounts for the federal Department of Labor grant activities conducted within the Job Training Partnership Act (JTPA) and the Workforce Development Act of 1998.
- The *Fire Tax District Fund* accounts for the revenues received as part of ad valorem tax collections and their subsequent distribution to various special tax districts throughout the County.

#### Capital Project Funds

Capital project funds account for the proceeds of bond issues and all other resources segregated for the acquisition, construction, and reconstruction of capital assets.

- The *Example Community College Capital Projects Fund* accounts for the construction and renovation of building projects for the Community College financed with bonds authorized and issued by the County. It was established in fiscal year 2004, prior to that these projects had been accounted for as part of the School Capital Fund.
- The *Fire Capital Project Fund* accounts for the acquisition of fire apparatus and equipment and renovations of fire facilities. It was established in fiscal year 2008, prior to that these projects had been accounting for in the County Capital Project Fund.
- The *Major Facilities Capital Trust Fund* accounts for identified projects through the Example County's allocation from the Major Facilities Trust Fund and to repay a loan on behalf of the Carolina Mudcats for construction of a restaurant at Five County Stadium. It was established in fiscal year 2008, prior to that these projects had been accounting for in the County Capital Project Fund.

**EXAMPLE COUNTY, NORTH CAROLINA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
As of June 30, 2012**

	<i>Total Nonmajor Special Revenue</i>	<i>Total Nonmajor Capital Project</i>	<i>Total</i>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>			
Cash and investments—pooled equity	\$7,906,215	\$27,846,468	\$35,752,683
Cash and investments—restricted cash	—	19,778,288	19,778,288
Taxes receivable, net	235,087	—	235,087
Accounts receivable, net	796,724	262,093	1,058,817
Accrued interest receivable	20,330	41,338	61,668
<b>TOTAL ASSETS</b>	<u><u>\$8,958,356</u></u>	<u><u>\$47,928,187</u></u>	<u><u>\$56,886,543</u></u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$862,352	\$3,667,680	\$4,530,032
Due to other funds	—	—	—
Deferred revenues	291,942	40,000	331,942
<b>Total Liabilities</b>	<u><u>1,154,294</u></u>	<u><u>3,707,680</u></u>	<u><u>4,861,974</u></u>
Fund Balances:			
Restricted:			
Stabilization by State statute	2,173,411	717,841	2,891,252
Committed:			
Working capital	2,830,720	—	2,830,720
Assigned:			
Planned expenditures	2,799,931	31,788,771	34,588,702
Future capital projects	—	11,713,895	11,713,895
<b>Total Fund Balances</b>	<u><u>7,804,062</u></u>	<u><u>44,220,507</u></u>	<u><u>52,024,569</u></u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$8,958,356</u></u>	<u><u>\$47,928,187</u></u>	<u><u>\$56,886,543</u></u>

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**EXAMPLE COUNTY, NORTH CAROLINA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2012**

	<i>Total Nonmajor Special Revenue</i>	<i>Total Nonmajor Capital Project</i>	<i>Total</i>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
REVENUES:			
Taxes	\$20,418,006	\$—	\$20,418,006
Intergovernmental	11,700,031	—	11,700,031
Charges for services	20,719	5,563,204	5,583,923
Fines and forfeitures	1,745	—	1,745
Investment earnings	48,421	73,464	121,885
Miscellaneous	63,827	—	63,827
Total Revenues	<u>32,252,749</u>	<u>5,636,668</u>	<u>37,889,417</u>
EXPENDITURES			
General administration	61,653	—	61,653
Human services	9,487,914	—	9,487,914
Community development	52,742	502,537	555,279
Environmental services	51,898	—	51,898
Public safety	18,868,493	2,272,818	21,141,311
General services administration	9,367	—	9,367
Education	—	38,558,463	38,558,463
Total Expenditures	<u>28,532,067</u>	<u>41,333,818</u>	<u>69,865,885</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>3,720,682</u>	<u>(35,697,150)</u>	<u>(31,976,468)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	—	5,183,000	5,183,000
Transfers out	(3,585,618)	—	(3,585,618)
Total Other Financing Sources (Uses)	<u>(3,585,618)</u>	<u>5,183,000</u>	<u>1,597,382</u>
REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	135,064	(30,514,150)	(30,379,086)
Fund Balances at beginning of year	<u>7,668,998</u>	<u>74,734,657</u>	<u>82,403,655</u>
FUND BALANCES AT END OF YEAR	<u><u>\$7,804,062</u></u>	<u><u>\$44,220,507</u></u>	<u><u>\$52,024,569</u></u>

**EXAMPLE COUNTY, NORTH CAROLINA  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
As of June 30, 2012**

	<i>Grants Fund</i>	<i>Capital Area Workforce Development</i>	<i>Fire Tax District</i>	<i>Total</i>
<b>ASSETS</b>				
Cash and investments—pooled equity	\$2,095,793	\$357,858	\$5,452,564	\$7,906,215
Taxes receivable, net	—	—	235,087	235,087
Accounts receivable, net	517,940	278,784	—	796,724
Accrued interest receivable	4,072	—	16,258	20,330
<b>TOTAL ASSETS</b>	<b>\$2,617,805</b>	<b>\$636,642</b>	<b>\$5,703,909</b>	<b>\$8,958,356</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$280,825	\$557,781	\$23,746	\$862,352
Deferred revenues	—	—	291,942	291,942
<b>Total Liabilities</b>	<b>280,825</b>	<b>557,781</b>	<b>315,688</b>	<b>1,154,294</b>
<b>Fund Balances:</b>				
<b>Restricted:</b>				
Stabilization by State statute	2,077,743	78,861	16,807	2,173,411
<b>Committed:</b>				
Working capital	—	—	2,830,720	2,830,720
<b>Assigned:</b>				
Planned expenditures	259,237	—	2,540,694	2,799,931
<b>Total Fund Balances</b>	<b>2,336,980</b>	<b>78,861</b>	<b>5,388,221</b>	<b>7,804,062</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$2,617,805</b>	<b>\$636,642</b>	<b>\$5,703,909</b>	<b>\$8,958,356</b>



EXAMPLE COUNTY, NORTH CAROLINA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 For the Year Ended June 30, 2012

	Grants Fund	Capital Area Workforce Development	Fire Tax District	Total
<b>REVENUES:</b>				
Taxes	\$—	\$—	\$20,418,006	\$20,418,006
Intergovernmental	4,735,184	6,964,847	—	11,700,031
Charges for services	1,723	18,996	—	20,719
Fines and forfeitures	1,745	—	—	1,745
Investment earnings	6,306	—	42,115	48,421
Miscellaneous	61,250	2,319	258	63,827
Total Revenues	<u>4,806,208</u>	<u>6,986,162</u>	<u>20,460,379</u>	<u>32,252,749</u>
<b>EXPENDITURES:</b>				
General administration	61,653	—	—	61,653
Human services	2,550,920	6,936,994	—	9,487,914
Community development	52,742	—	—	52,742
Environmental services	51,898	—	—	51,898
Public safety	1,546,301	—	17,322,192	18,868,493
General services administration	9,367	—	—	9,367
Total Expenditures	<u>4,272,881</u>	<u>6,936,994</u>	<u>17,322,192</u>	<u>28,532,067</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>533,327</u>	<u>49,168</u>	<u>3,138,187</u>	<u>3,720,682</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(702,618)	—	(2,883,000)	(3,585,618)
Total other financing sources and uses	<u>(702,618)</u>	<u>—</u>	<u>(2,883,000)</u>	<u>(3,585,618)</u>

(continued)

	<i>Grants Fund</i>	<i>Capital Area Workforce Development</i>	<i>Fire Tax District</i>	<i>Total</i>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(169,291)	49,168	255,187	135,064
Fund Balances at beginning of year	<u>2,506,271</u>	<u>29,693</u>	<u>5,133,034</u>	<u>7,668,998</u>
FUND BALANCES AT END OF YEAR	<u>\$2,336,980</u>	<u>\$78,861</u>	<u>\$5,388,221</u>	<u>\$7,804,062</u>

EXAMPLE COUNTY, NORTH CAROLINA  
 COMBINING BALANCE SHEET  
 NONMAJOR CAPITAL PROJECT FUNDS  
 As of June 30, 2012

	Example Community College Capital Projects Fund	Fire Capital Projects Fund	Major Facilities Capital Trust Fund	Total
<b>ASSETS</b>				
Cash and investments—pooled equity	\$13,118,466	\$7,607,511	\$7,120,491	\$27,846,468
Cash and investments—restricted	19,778,288	—	—	19,778,288
Accounts receivable, net	255,308	—	6,785	262,093
Accrued interest receivable	—	21,354	19,984	41,338
<b>TOTAL ASSETS</b>	<u>\$33,152,062</u>	<u>\$7,628,865</u>	<u>\$7,147,260</u>	<u>\$47,928,187</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$3,299,332	\$343,060	\$25,288	\$3,667,680
Deferred revenues	—	—	40,000	40,000
<b>Total Liabilities</b>	<u>3,299,332</u>	<u>343,060</u>	<u>65,288</u>	<u>3,707,680</u>
<b>Fund Balances:</b>				
Restricted:				
Stabilization by State statute	255,308	331,811	130,722	717,841
Assigned:				
Planned expenditures	29,597,422	1,967,854	223,495	31,788,771
Future capital projects	—	4,986,140	6,727,755	11,713,895
<b>Total Fund Balances</b>	<u>29,852,730</u>	<u>7,285,805</u>	<u>7,081,972</u>	<u>44,220,507</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$33,152,062</u>	<u>\$7,628,865</u>	<u>\$7,147,260</u>	<u>\$47,928,187</u>

**EXAMPLE COUNTY, NORTH CAROLINA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR CAPITAL PROJECT FUNDS**  
**For the Year Ended June 30, 2012**

	<i>Example Community College Capital Projects Fund</i>	<i>Fire Capital Projects Fund</i>	<i>Major Facilities Capital Trust Fund</i>	<i>Total</i>
<b>REVENUES:</b>				
Charges for services	\$—	\$68,204	\$5,495,000	\$5,563,204
Investment earnings	—	39,364	34,100	73,464
<b>Total Revenues</b>	—	107,568	5,529,100	5,636,668
<b>EXPENDITURES:</b>				
<b>Capital Projects:</b>				
Community development and cultural	—	—	502,537	502,537
Public safety	—	2,272,818	—	2,272,818
Education	38,558,463	—	—	38,558,463
<b>Total Expenditures</b>	38,558,463	2,272,818	502,537	41,333,818
<b>REVENUES (UNDER) EXPENDITURES</b>	(38,558,463)	(2,165,250)	5,026,563	(35,697,150)
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	1,500,000	2,683,000	1,000,000	5,183,000
Bonds issued	—	—	—	—
<b>Total other financing sources</b>	1,500,000	2,683,000	1,000,000	5,183,000
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES</b>	(37,058,463)	517,750	6,026,563	(30,514,150)
Fund Balances at beginning of year	66,911,193	6,768,055	1,055,409	74,734,657
<b>FUND BALANCES AT END OF YEAR</b>	\$29,852,730	\$7,285,805	\$7,081,972	\$44,220,507

Schedules of Revenues, Expenditures and Changes in Fund Balances

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EXAMPLE COUNTY, NORTH CAROLINA  
GRANTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
From Project Inception Through June 30, 2012

	<i>Actual</i>			
	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>
REVENUES:				
Intergovernmental	\$22,859,038	\$16,766,804	\$4,735,184	\$21,501,988
Charges for services	1,413,680	687,041	1,723	688,764
Fines and forfeitures	9,400	9,441	1,745	11,186
Investment earnings	18,694	34,117	6,306	40,423
Miscellaneous	270,288	135,937	61,250	197,187
Total Revenues	<u>24,571,100</u>	<u>17,633,340</u>	<u>4,806,208</u>	<u>22,439,548</u>
EXPENDITURES:				
General administration	974,875	810,892	61,653	872,545
Human services	14,769,069	9,903,962	2,550,920	12,454,882
Community development	398,676	243,410	52,742	296,152
Environmental services	490,773	337,866	51,898	389,764
Public safety	7,537,239	4,079,944	1,546,301	5,626,245
General services administration	44,650	27,786	9,367	37,153
Total Expenditures	<u>24,215,282</u>	<u>15,403,860</u>	<u>4,272,881</u>	<u>19,676,741</u>
REVENUES UNDER EXPENDITURES	355,818	2,229,480	533,327	2,762,807
OTHER FINANCING SOURCES AND (USES):				
Transfers in	713,834	713,834	—	713,834
Transfers out	(1,139,661)	(437,043)	(702,618)	(1,139,661)
Total Other Financing Sources and Uses	<u>(425,827)</u>	<u>276,791</u>	<u>(702,618)</u>	<u>(425,827)</u>

(continued)

	<i>Project Authorization</i>	<i>Actual</i>		<i>Total To Date</i>
		<i>Prior Years</i>	<i>Current Year</i>	
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	(70,009)	<u>\$2,506,271</u>	(169,291)	<u>\$2,336,980</u>
Fund balance appropriated	<u>70,009</u>		—	
REVENUES, OTHER FINANCING SOURCES AND APPROPRIATED FUND BALANCE OVER EXPENDITURES	<u>\$—</u>		(169,291)	
Fund Balance at beginning of year			<u>2,506,271</u>	
FUND BALANCE AT END OF YEAR			<u>\$2,336,980</u>	

**EXAMPLE COUNTY, NORTH CAROLINA  
CAPITAL AREA WORKFORCE DEVELOPMENT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
From Project Inception Through June 30, 2012**

	<i>Actual</i>			<i>Total To Date</i>
	<i>Project Authorization</i>	<i>Prior Years</i>	<i>Current Year</i>	
<b>REVENUES:</b>				
Intergovernmental	\$27,417,370	\$17,342,183	\$6,964,847	\$24,307,030
Charges for services	61,689	52,356	18,996	71,352
Miscellaneous	11,527	14,227	2,319	16,546
<b>Total Revenues</b>	<u>27,490,586</u>	<u>17,408,766</u>	<u>6,986,162</u>	<u>24,394,928</u>
<b>EXPENDITURES:</b>				
Title I—Adult	3,357,375	1,890,911	1,451,849	3,342,760
Title I—Dislocated Workers	7,222,744	4,858,279	2,043,588	6,901,867
Title I—Youth	5,444,410	3,047,609	2,088,562	5,136,171
Statewide Activities	3,392,017	2,402,720	424,898	2,827,618
Dislocated Worker—Supplemental	525,759	502,638	—	502,638
WIA Administration	3,839,430	1,741,730	729,942	2,471,672
Hurricane Katrina	825,000	667,359	—	667,359
Welfare-to-work Grant	1,301,476	1,263,751	—	1,263,751
AmeriCorps	1,450,491	893,044	192,101	1,085,145
National Emergency Grants	6,054	—	6,054	6,054
Other County	2,751	(12,047)	—	(12,047)
<b>Total Expenditures</b>	<u>27,367,507</u>	<u>17,255,994</u>	<u>6,936,994</u>	<u>24,192,988</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	123,079	152,772	49,168	201,940
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	11,290	11,290	—	11,290
Transfers out	(134,369)	(134,369)	—	(134,369)
<b>Total Other Financing Sources and Uses</b>	<u>(123,079)</u>	<u>(123,079)</u>	<u>—</u>	<u>(123,079)</u>

*(continued)*

	<i>Actual</i>			
	<i>Project Authorization</i>	<i>Prior Years</i>	<i>Current Year</i>	<i>Total To Date</i>
REVENUES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$—</u>	<u>\$29,693</u>	49,168	<u>\$78,861</u>
Fund balance at beginning of year			<u>29,693</u>	
FUND BALANCE AT END OF YEAR			<u>\$78,861</u>	



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**EXAMPLE COUNTY, NORTH CAROLINA  
FIRE TAX DISTRICT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Year Ended June 30, 2012**

	2012	
	<i>Budget</i>	<i>Actual</i>
<b>REVENUES:</b>		
Taxes—ad valorem property	\$20,248,000	\$20,418,006
Investment earnings	5,000	42,115
Miscellaneous	—	258
Total Revenues	20,253,000	20,460,379
<b>EXPENDITURES:</b>		
Public Safety:		
Rural fire districts	17,370,000	17,322,192
Total Expenditures	17,370,000	17,322,192
REVENUES OVER EXPENDITURES	2,883,000	3,138,187
<b>OTHER FINANCING USES:</b>		
Transfers out	(2,883,000)	(2,883,000)
REVENUES OVER EXPENDITURES AND OTHER USES	—	255,187
Appropriated fund balance	—	—
REVENUES AND APPROPRIATED FUND BALANCE OVER EXPENDITURES AND OTHER USES	\$—	255,187
Fund Balance at beginning of year		5,133,034
FUND BALANCE AT END OF YEAR		\$5,388,221

EXAMPLE COUNTY, NORTH CAROLINA  
 EXAMPLE COMMUNITY COLLEGE CAPITAL PROJECTS FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 From Project Inception Through June 30, 2012

	<i>Actual</i>			<i>Total To Date</i>
	<i>Project Authorization</i>	<i>Prior Years</i>	<i>Current Year</i>	
REVENUES:				
Investment earnings	\$—	\$1,542,667	\$—	\$1,542,667
Total Revenues	—	1,542,667	—	1,542,667
EXPENDITURES—CAPITAL PROJECTS:				
Example Technical College	160,937,236	93,250,537	38,558,463	131,809,000
TOTAL EXPENDITURES	160,937,236	93,250,537	38,558,463	131,809,000
REVENUES UNDER EXPENDITURES	(160,937,236)	(91,707,870)	(38,558,463)	(130,266,333)
OTHER FINANCING SOURCES:				
Transfers in	29,147,000	27,647,000	1,500,000	29,147,000
Bonds issued	130,525,881	129,707,708	—	129,707,708
Premiums on issuance	1,264,355	1,264,355	—	1,264,355
Total Other Financing Sources	160,937,236	158,619,063	1,500,000	160,119,063
REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES	\$—	\$66,911,193	(37,058,463)	\$29,852,730
Fund Balance at beginning of year			66,911,193	
FUND BALANCE AT END OF YEAR			\$29,852,730	

EXAMPLE COUNTY, NORTH CAROLINA  
FIRE CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
From Project Inception Through June 30, 2012

	<i>Actual</i>			
	<i>Project Authorization</i>	<i>Prior Years</i>	<i>Current Year</i>	<i>Total To Date</i>
REVENUES:				
Charges for services	\$30,000	\$—	\$68,204	\$68,204
Investment earnings	438,044	498,965	39,364	538,329
Miscellaneous	87,071	87,071	—	87,071
Total Revenues	<u>555,115</u>	<u>586,036</u>	<u>107,568</u>	<u>693,604</u>
EXPENDITURES:				
Capital projects:				
Fire and rescue CIP	9,475,922	4,941,643	2,272,818	7,214,461
Total Expenditures	<u>9,475,922</u>	<u>4,941,643</u>	<u>2,272,818</u>	<u>7,214,461</u>
REVENUES UNDER EXPENDITURES	<u>(8,920,807)</u>	<u>(4,355,607)</u>	<u>(2,165,250)</u>	<u>(6,520,857)</u>
OTHER FINANCING SOURCES:				
Transfers in	8,920,807	11,123,662	2,683,000	13,806,662
Total Other Financing Sources	<u>8,920,807</u>	<u>11,123,662</u>	<u>2,683,000</u>	<u>13,806,662</u>
REVENUES AND OTHER SOURCES OVER EXPENDITURES	<u>\$—</u>	<u>\$6,768,055</u>	517,750	<u>\$7,285,805</u>
Fund Balance at beginning of year			6,768,055	
FUND BALANCE AT END OF YEAR			<u>\$7,285,805</u>	

EXAMPLE COUNTY, NORTH CAROLINA  
 MAJOR FACILITIES CAPITAL TRUST FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 From Project Inception Through June 30, 2012

	<i>Actual</i>			
	<i>Project Authorization</i>	<i>Prior Years</i>	<i>Current Year</i>	<i>Total To Date</i>
REVENUES:				
Intergovernmental	\$3,942,100	\$3,942,100	\$—	\$3,942,100
Charges for services	542,997	482,997	5,495,000	5,977,997
Investment earnings	478,452	542,616	34,100	576,716
Total Revenues	<u>4,963,549</u>	<u>4,967,713</u>	<u>5,529,100</u>	<u>10,496,813</u>
EXPENDITURES:				
Capital projects:				
Community development and cultural	41,528,251	39,824,494	502,537	40,327,031
REVENUES UNDER EXPENDITURES	<u>(36,564,702)</u>	<u>(34,856,781)</u>	<u>5,026,563</u>	<u>(29,830,218)</u>
OTHER FINANCING SOURCES:				
Installment purchases proceeds	600,000	599,842	—	599,842
Transfers in	35,964,702	35,312,348	1,000,000	36,312,348
Total Other Financing Sources	<u>36,564,702</u>	<u>35,912,190</u>	<u>1,000,000</u>	<u>36,912,190</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>\$—</u>	<u>\$1,055,409</u>	<u>6,026,563</u>	<u>\$7,081,972</u>
Fund Balance at beginning of year			<u>1,055,409</u>	
FUND BALANCE AT END OF YEAR			<u>\$7,081,972</u>	

**EXAMPLE COUNTY, NORTH CAROLINA  
BUDGETARY COMBINING BALANCE SHEET  
SOLID WASTE OPERATING AND CAPITAL PROJECT FUNDS (NON-GAAP)  
MODIFIED ACCRUAL BASIS OF ACCOUNTING**

*As of June 30, 2012*

	<i>Solid Waste Operating Fund</i>	<i>Solid Waste Capital Project</i>	<i>June 30, 2012</i>	<i>June 30, 2011</i>
<b>ASSETS</b>				
Cash and investments—pooled equity	\$27,751,629	\$3,436,659	\$31,188,288	\$29,806,605
Cash and investments—reserved	10,089,412	—	10,089,412	9,984,832
Accounts receivable, net	746,428	4,806	751,234	559,757
Internal balances (due from other funds)	170,035	—	170,035	296,592
Accrued interest receivable	105,958	9,537	115,495	151,496
<b>TOTAL ASSETS</b>	<u>\$38,863,462</u>	<u>\$3,451,002</u>	<u>\$42,314,464</u>	<u>\$40,799,282</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$1,155,893	\$168,389	\$1,324,282	\$1,516,245
Deferred revenues	57,694	—	57,694	55,573
Internal balances (due to other funds)	243,940	—	243,940	—
Closure/post-closure care reserves	10,089,412	—	10,089,412	9,984,832
<b>Total Liabilities</b>	<u>11,546,939</u>	<u>168,389</u>	<u>11,715,328</u>	<u>11,556,650</u>
<b>Fund Balances:</b>				
<b>Restricted:</b>				
Stabilization by state statute	995,724	420,688	1,416,412	1,617,777
White goods	2,184,917	—	2,184,917	1,897,683
<b>Assigned:</b>				
Planned expenditures	—	2,524,642	2,524,642	2,565,082
Future capital projects	—	337,283	337,283	318,154
Unassigned	24,135,882	—	24,135,882	22,843,936
<b>Total Fund Balances</b>	<u>27,316,523</u>	<u>3,282,613</u>	<u>30,599,136</u>	<u>29,242,632</u>

*(continued)*

	<i>Solid Waste Operating Fund</i>	<i>Solid Waste Capital Project</i>	<i>June 30, 2012</i>	<i>June 30, 2011</i>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$38,863,462</u>	<u>\$3,451,002</u>	<u>\$42,314,464</u>	<u>\$40,799,282</u>

*This statement is included for internal reporting purposes to show fund balance compliance with State law.*

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**EXAMPLE COUNTY, NORTH CAROLINA  
SOLID WASTE OPERATING FUND  
SCHEDULE OF REVENUES AND EXPENDITURES—BUDGET AND ACTUAL (NON-GAAP BASIS)  
For the Year Ended June 30, 2012  
With Comparative Actual Amounts for the Year Ended June 30, 2011**

	2012		2011
	<i>Budget</i>	<i>Actual</i>	<i>Actual</i>
REVENUES:			
Intergovernmental	\$1,235,081	\$1,688,916	\$1,546,434
Licenses and permits	6,500	—	8,800
Charges for services	7,496,911	7,495,314	7,371,649
Investment earnings	357,000	238,578	395,402
Miscellaneous	2,273,508	1,802,303	943,682
Total Revenues	11,369,000	11,225,111	10,265,967
EXPENDITURES:			
Cost of service	8,682,897	7,332,336	6,052,731
Administration	1,756,998	1,293,668	1,450,071
Total Expenditures	10,439,895	8,626,004	7,502,802
REVENUES OVER (UNDER) EXPENDITURES	929,105	2,599,107	2,763,165
OTHER FINANCING SOURCES AND (USES):			
Transfers In	\$852,000	\$852,000	\$1,190,000
Transfers out	(1,804,000)	(1,804,000)	(2,253,000)
Total Other Financing Sources and Uses	(952,000)	(952,000)	(1,063,000)
REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER SOURCES/(USES):	(22,895)	1,647,107	1,700,165
APPROPRIATED FUND BALANCE	22,895	—	—
REVENUES, OTHER SOURCES AND APPROPRIATED FUND BALANCE OVER (UNDER) EXPENDITURES AND OTHER USES	\$—	\$1,647,107	\$1,700,165

*(continued)*

## State and Local Governments

	2012		2011
	<i>Budget</i>	<i>Actual</i>	<i>Actual</i>
Reconciliation from budgetary basis of modified accrual to full accrual basis:			
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES:		\$1,647,107	\$1,700,165
Reconciling items:			
Compensated absences expenses		(9,151)	1,100
OPEB expenses		(67,259)	(48,579)
Risk management expenses		1,304	(4,243)
Net decrease in deferred revenue		2,340	923
Intergovernmental revenues—Construction fund		—	75,000
Investment earnings—Construction Fund		19,129	37,060
Miscellaneous revenues—Construction Fund		15,275	—
Expenditures—Construction Fund		(1,725,006)	(2,041,359)
Transfers in—Construction Fund		1,400,000	1,849,000
Acquisition of capital assets		380,085	—
Depreciation and depletion		(603,494)	(633,169)
Change in net assets		<u>\$1,060,330</u>	<u>\$935,898</u>



EXAMPLE COUNTY, NORTH CAROLINA  
 SOLID WASTE CONSTRUCTION FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (NON-GAAP BASIS)  
 From Project Inception Through June 30, 2012

	<i>Actual</i>			
	<i>Project Authorization</i>	<i>Prior Years</i>	<i>Current Year</i>	<i>Total to Date</i>
REVENUES:				
Intergovernmental	\$75,000	\$75,000	\$—	\$75,000
Investment earnings	1,431,000	1,529,036	19,129	1,548,165
Miscellaneous	2,269,148	—	15,275	15,275
Total revenues	<u>3,775,148</u>	<u>1,604,036</u>	<u>34,404</u>	<u>1,638,440</u>
EXPENDITURES:				
Enterprise infrastructure	13,320,411	6,204,051	1,697,717	7,901,768
Other	—	192,151	27,289	219,440
Total expenditures	<u>13,320,411</u>	<u>6,396,202</u>	<u>1,725,006</u>	<u>8,121,208</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(9,545,263)</u>	<u>(4,792,166)</u>	<u>(1,690,602)</u>	<u>(6,482,768)</u>
OTHER FINANCING SOURCES AND USES:				
Transfers in	9,545,263	8,365,381	1,400,000	9,765,381
Total other financing sources and uses	<u>9,545,263</u>	<u>8,365,381</u>	<u>1,400,000</u>	<u>9,765,381</u>
REVENUES, OTHER SOURCES, AND APPROPRIATED FUND BALANCE OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$—</u>	<u>\$3,573,215</u>	<u>(290,602)</u>	<u>\$3,282,613</u>
Fund Balance at the beginning of the year			<u>3,573,215</u>	
FUND BALANCE AT THE END OF THE YEAR			<u>\$3,282,613</u>	

**EXAMPLE COUNTY, NORTH CAROLINA  
BUDGETARY COMBINING BALANCE SHEET  
SOUTH EXAMPLE LANDFILL PARTNERSHIP FUND (NON-GAAP)  
MODIFIED ACCRUAL BASIS OF ACCOUNTING**

**As of June 30, 2012**

	<i>South Example Landfill</i>	<i>East Example Transfer Station</i>	June 30, 2012	June 30, 2011
<b>ASSETS</b>				
Cash and investments—pooled equity	\$2,961,577	\$—	\$2,961,577	\$2,557,747
Cash and investments—reserved	6,337,357	476,207	6,813,564	7,010,729
Cash and investments—cash equivalents	450	300	750	750
Accounts receivable, net	483,953	1,673,396	2,157,349	1,713,498
Accrued interest receivable	11,504	16,324	27,828	36,510
Internal balances (due from other funds)	104,967	138,973	243,940	—
<b>TOTAL ASSETS</b>	<u>\$9,899,808</u>	<u>\$2,305,200</u>	<u>\$12,205,008</u>	<u>\$11,319,234</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$2,391,416	\$485,797	\$2,877,213	\$4,001,450
Internal balances (due to other funds)	170,035	—	170,035	296,592
Deferred revenues	5,541	2,273	7,814	10,463
Construction reserves	—	1,817,130	1,817,130	961,529
Closure/post-closure care reserves	6,337,357	—	6,337,357	6,049,200
<b>Total Liabilities</b>	<u>8,904,349</u>	<u>2,305,200</u>	<u>11,209,549</u>	<u>11,319,234</u>
<b>Fund Balances:</b>				
Restricted:				
Stabilization by state statute	432,686	—	432,686	—
Assigned:				
Planned expenditures	562,773	—	562,773	—
<b>Total Fund Balances</b>	<u>995,459</u>	<u>—</u>	<u>995,459</u>	<u>—</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$9,899,808</u>	<u>\$2,305,200</u>	<u>\$12,205,008</u>	<u>\$11,319,234</u>

*This statement is included for internal reporting purposes to show fund balance compliance with State law.*

**EXAMPLE COUNTY, NORTH CAROLINA  
SOUTH EXAMPLE LANDFILL PARTNERSHIP FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND APPROPRIATED FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BASIS)  
For the Year Ended June 30, 2012**

	South Example Landfill		East Example Transfer Station		Total		June 30, 2011	
	Budget	Actual	Budget	Actual	Budget	Actual	Total	Actual
<b>REVENUES:</b>								
Charges of services	\$12,155,272	\$4,711,415	\$2,405,728	\$10,116,231	\$14,561,000	\$14,827,646	\$15,146,528	
Investment earnings	—	32,465	—	33,204	—	65,669	90,531	
Total Revenues	<u>12,155,272</u>	<u>4,743,880</u>	<u>2,405,728</u>	<u>10,149,435</u>	<u>14,561,000</u>	<u>14,893,315</u>	<u>15,237,059</u>	
<b>EXPENDITURES:</b>								
Cost of service	7,397,884	6,092,408	3,403,948	4,342,475	10,801,832	10,434,883	11,576,051	
Administration	137,168	139,630	738,594	304,563	875,762	444,193	861,860	
Partner rebates	2,046,306	2,166,780	—	—	2,046,306	2,166,780	1,817,310	
Total Expenditures	<u>9,581,358</u>	<u>8,398,818</u>	<u>4,142,542</u>	<u>4,647,038</u>	<u>13,723,900</u>	<u>13,045,856</u>	<u>14,255,221</u>	
<b>REVENUES UNDER EXPENDITURES</b>	2,573,914	(3,654,938)	(1,736,814)	5,502,397	837,100	1,847,459	981,838	
<b>OTHER FINANCING SOURCES (USES):</b>								
Transfers out	(735,035)	(735,035)	(116,965)	(116,965)	(852,000)	(852,000)	(1,190,000)	
Intrafund transfers in	—	5,385,432	—	—	—	5,385,432	5,520,440	
Intrafund transfers out	—	—	—	(5,385,432)	—	(5,385,432)	(5,520,440)	
Total other financing sources/ (uses)	<u>(735,035)</u>	<u>4,650,397</u>	<u>(116,965)</u>	<u>(5,502,397)</u>	<u>(852,000)</u>	<u>(852,000)</u>	<u>(1,190,000)</u>	
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	1,838,879	995,459	(1,853,779)	—	(14,900)	995,459	(208,162)	(continued)

	June 30, 2012				June 30, 2011	
	South Example Landfill		East Example Transfer Station		Total	Total
	Budget	Actual	Budget	Actual	Budget	Actual
APPROPRIATED FUND						
BALANCE	14,900	—	—	—	14,900	—
REVENUES AND OTHER FINANCING SOURCES AND APPROPRIATED FUND BALANCE OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$1,853,779	\$995,459	\$(1,853,779)	\$—	\$995,459	\$(208,162)
Reconciliation from budgetary basis of modified accrual to full accrual basis:						
REVENUES AND OTHER FINANCING USES UNDER EXPENDITURES AND OTHER FINANCING USES					\$995,459	\$(208,162)
Reconciling items						
Net change in deferred revenue					(2,650)	(15,137)
Compensated absences expenses					(392)	478
Risk management expenses					1,094	(1,491)
OPEB expenses					(24,021)	(33,166)
Change in net assets					\$969,490	\$(257,478)

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**EXAMPLE COUNTY, NORTH CAROLINA  
BUDGETARY BALANCE SHEET  
CORPORATE FLEET FUND (NON-GAAP)  
MODIFIED ACCRUAL BASIS OF ACCOUNTING  
As of June 30, 2012**

	June 30, 2012	June 30, 2011
<b>ASSETS</b>		
Cash and investments—pooled equity	\$3,539,364	\$1,172,800
Accounts receivable, net	22,009	16,340
Accrued interest receivable	10,401	4,475
Inventories	203,686	204,727
<b>TOTAL ASSETS</b>	<b>\$3,775,460</b>	<b>\$1,398,342</b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$539,546	\$201,283
<b>Fund Balances:</b>		
<b>Nonspendable:</b>		
Inventories	203,686	204,727
<b>Restricted:</b>		
Stabilization by state statute	1,152,924	958,001
<b>Assigned:</b>		
Planned expenditures	110,002	—
Unassigned	1,769,302	34,331
<b>Total Fund Balances</b>	<b>3,235,914</b>	<b>1,197,059</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$3,775,460</b>	<b>\$1,398,342</b>

*This statement is included for internal reporting purposes to show fund balance compliance with State law.*

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**EXAMPLE COUNTY, NORTH CAROLINA  
CORPORATE FLEET FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND APPROPRIATED FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BASIS)  
For the Year Ended June 30, 2012**

	2012		2011
	<i>Budget</i>	<i>Actual</i>	<i>Actual</i>
REVENUES:			
Charges of services	\$8,330,110	\$8,431,825	\$7,338,792
Investment earnings	40,000	13,629	37,431
Miscellaneous	403,196	374,379	622,563
Total Revenues	<u>8,773,306</u>	<u>8,819,833</u>	<u>7,998,786</u>
EXPENDITURES:			
Cost of service	7,645,627	7,400,522	7,589,067
Administration	1,020,865	1,053,772	1,212,660
Reserve for replacements	2,717,316	—	—
Total Expenditures	<u>11,383,808</u>	<u>8,454,294</u>	<u>8,801,727</u>
REVENUES UNDER EXPENDITURES	(2,610,502)	365,539	(802,941)
OTHER FINANCING SOURCES:			
Transfers in	1,673,316	1,673,316	2,000,000
Total other financing sources/(uses)	<u>1,673,316</u>	<u>1,673,316</u>	<u>2,000,000</u>
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(937,186)	2,038,855	1,197,059
APPROPRIATED FUND BALANCE	<u>937,186</u>	<u>—</u>	<u>—</u>
REVENUES AND APPROPRIATED FUND BALANCE OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$—</u>	<u>\$2,038,855</u>	<u>\$1,197,059</u>
Reconciliation from budgetary basis of modified accrual to full accrual basis:			
REVENUES AND OTHER FINANCING USES UNDER EXPENDITURES AND OTHER FINANCING USES		\$2,038,855	\$1,197,059
Reconciling items			
Compensated absences expenses		(5,258)	(47,210)
OPEB expenses		(67,259)	(173,736)
Risk management expenses		2,419	(4,243)
Acquisition of capital assets		3,086,025	4,226,379
Disposal of capital assets		(301,406)	(94,907)
Depreciation of capital assets		(3,373,150)	(2,941,605)
Change in net assets		<u>\$1,380,226</u>	<u>\$2,161,737</u>

Agency Funds

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EXAMPLE COUNTY, NORTH CAROLINA  
 AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 For the Year Ended June 30, 2012

	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
<b>MUNICIPAL TAX FUND</b>				
ASSETS				
Cash and investments—pooled equity	<u>\$375,933</u>	<u>\$365,430,755</u>	<u>\$(365,334,006)</u>	<u>\$472,682</u>
LIABILITIES				
Other Liabilities	<u>\$375,933</u>	<u>\$365,008,194</u>	<u>\$(364,911,445)</u>	<u>\$472,682</u>
<b>HUMAN SERVICES FUND</b>				
ASSETS				
Cash and investments—pooled equity	\$451,597	\$3,117,933	\$(3,094,125)	\$475,405
Accounts receivable	803	1,339	(803)	1,339
Accrued interest receivable	1,667	1,395	(1,667)	1,395
TOTAL ASSETS	<u>\$454,067</u>	<u>\$3,120,667</u>	<u>\$(3,096,595)</u>	<u>\$478,139</u>
LIABILITIES				
Other Liabilities	<u>\$454,067</u>	<u>\$3,281,488</u>	<u>\$(3,257,416)</u>	<u>\$478,139</u>
<b>FINES AND FORFEITURES</b>				
ASSETS				
Cash and investments—pooled equity	\$403,551	\$2,390,661	\$(1,935,333)	\$858,879
Accounts receivable	27,398	11,747	(27,398)	11,747
Accrued interest	1,537	2,410	(1,537)	2,410
TOTAL ASSETS	<u>\$432,486</u>	<u>\$2,404,818</u>	<u>\$(1,964,268)</u>	<u>\$873,036</u>

(continued)

	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
<b>LIABILITIES</b>				
Other liabilities	\$432,486	\$2,361,725	\$(1,921,175)	\$873,036
<b>TOTAL LIABILITIES</b>	<u>\$432,486</u>	<u>\$2,361,725</u>	<u>\$(1,921,175)</u>	<u>\$873,036</u>
<b>DMV INTEREST PENALTIES</b>				
<b>ASSETS</b>				
Cash and investments—pooled equity	\$43,937	\$688,947	\$(679,283)	\$53,601
Accrued interest	167	150	(167)	150
<b>TOTAL ASSETS</b>	<u>\$44,104</u>	<u>\$689,097</u>	<u>\$(679,450)</u>	<u>\$53,751</u>
<b>LIABILITIES</b>				
Due to other governmental units	\$39,944	\$599,102	\$(589,845)	\$49,201
Other liabilities	4,160	85,521	(85,131)	4,550
<b>TOTAL LIABILITIES</b>	<u>\$44,104</u>	<u>\$684,623</u>	<u>\$(674,976)</u>	<u>\$53,751</u>
<b>TOTAL—ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and investments—pooled equity	\$1,275,018	\$371,628,296	\$(371,042,747)	\$1,860,567
Accounts receivable	28,201	13,086	(28,201)	13,086
Accrued interest receivable	3,371	3,955	(3,371)	3,955
<b>TOTAL ASSETS</b>	<u>\$1,306,590</u>	<u>\$371,645,337</u>	<u>\$(371,074,319)</u>	<u>\$1,877,608</u>
<b>LIABILITIES</b>				
Other liabilities	\$1,266,646	\$370,736,928	\$(370,175,167)	\$1,828,407
Due to other governmental units	39,944	599,102	(589,845)	49,201
<b>TOTAL LIABILITIES</b>	<u>\$1,306,590</u>	<u>\$371,336,030</u>	<u>\$(370,765,012)</u>	<u>\$1,877,608</u>



Capital Assets

.102

EXAMPLE COUNTY, NORTH CAROLINA  
 SCHEDULE OF GOVERNMENTAL CAPITAL ASSETS  
 BY FUNCTION AND CATEGORY  
 As of June 30, 2012

Function	Land	Buildings	Improvements	Machinery and Equipment	Vehicle and Motorized Equipment	Computer Software	Infrastructure	Construction in progress	Total
General administration	\$10,172,473	\$64,438,769	\$6,350,074	\$11,846,112	\$276,371	\$10,332,893	\$1,096,904	\$—	\$104,513,596
Human services	2,749,082	58,272,616	290,075	2,044,133	2,257,850	—	—	—	65,613,756
Education	270,700	10,160,682	3,947,902	—	—	—	—	—	14,379,284
Community development	73,088,081	94,020,289	716,715	2,369,809	132,595	—	56,230	—	170,383,719
Environmental services	19,216,059	2,632,863	—	80,049	—	—	14,876,981	—	36,805,952
Public safety	4,577,516	129,876,943	12,366,414	15,836,482	7,229,372	—	—	—	169,886,727
General services administration	64,740	83,920	189,784	5,671,276	23,768,059	—	616,014	—	30,393,793
Construction in progress	—	—	—	—	—	—	—	243,688,162	243,688,162
<b>Total Governmental Capital Assets</b>	<b>\$110,138,651</b>	<b>\$359,486,082</b>	<b>\$23,860,964</b>	<b>\$37,847,861</b>	<b>\$33,664,247</b>	<b>\$10,332,893</b>	<b>\$16,646,129</b>	<b>\$243,688,162</b>	<b>\$835,664,989</b>

General Obligation Indebtedness

.103

**EXAMPLE COUNTY, NORTH CAROLINA**  
**SCHEDULE OF CHANGES IN GOVERNMENTAL LONG-TERM DEBT**  
**As of June 30, 2012**

	<i>Date of Issue</i>	<i>Interest Rate</i>	<i>Amount Issued</i>	<i>Debt Outstanding June 30, 2011</i>	<i>Net Additions (Retirements)</i>	<i>Debt Outstanding June 30, 2012</i>
<b>GENERAL OBLIGATION BONDS:</b>						
2002 Public improvement bonds	03/01/02	4.00-4.75%	\$188,000,000	\$8,500,000	\$(8,500,000)	\$—
2003A Public improvement bonds	04/01/03	3.00-5.00%	122,890,000	16,000,000	(8,000,000)	8,000,000
2003B Public improvement bonds	04/08/03	variable	55,000,000	55,000,000	—	55,000,000
2003C Public improvement bonds	04/08/03	variable	45,000,000	45,000,000	—	45,000,000
2003 Criminal Justice Facilities	11/01/03	3.00-5.00%	8,000,000	800,000	(400,000)	400,000
2004 Public improvement bonds	04/01/04	3.00-5.00%	130,000,000	30,000,000	(10,000,000)	20,000,000
School 2004A	04/21/04	variable	67,000,000	67,000,000	(67,000,000)	—
School 2004B	04/21/04	variable	57,000,000	57,000,000	(57,000,000)	—
Refunding series 2004	11/01/04	4.00-5.00%	114,380,000	48,945,000	(23,870,000)	25,075,000
Refunding series 2005	04/01/05	3.00-5.00%	33,020,000	32,580,000	(105,000)	32,475,000
2005 School bonds	11/01/05	3.25-5.00%	41,000,000	6,000,000	(1,500,000)	4,500,000
2007 Public improvement bonds	03/08/07	4.25-5.00%	455,000,000	138,000,000	(23,000,000)	115,000,000
School 2007A	03/08/07	variable	50,000,000	50,000,000	—	50,000,000
School 2007B	03/08/07	variable	50,000,000	50,000,000	—	50,000,000
2009A Public improvement bonds	04/01/09	4.00-5.00%	135,000,000	48,000,000	(6,000,000)	42,000,000
2009B Public improvement bonds	04/01/09	4.00-5.00%	300,000,000	268,000,000	(10,000,000)	258,000,000
2009C Refunding	04/01/09	4.00-5.00%	66,320,000	51,560,000	(12,285,000)	39,275,000
2009D Refunding	06/16/09	3.00-4.00%	168,980,000	168,980,000	(6,545,000)	162,435,000
2010A Public improvement bonds	03/30/10	3.00-5.00%	86,295,000	79,620,000	(6,635,000)	72,985,000
2010B Public improvement recovery zone economic development bonds	03/30/10	4.80-5.30%	39,505,000	39,505,000	—	39,505,000
2010C Refunding	05/13/10	2.00-5.00%	383,420,000	383,420,000	—	383,420,000
2010D Public improvement qualified school construction bonds	06/09/10	5.10%	34,910,000	34,910,000	—	34,910,000
2010E Public Improvement	08/05/10	2.50-4.00%	18,945,000	18,945,000	(1,890,000)	17,055,000
2010F Public Improvement	08/05/10	4.15-5.40%	17,055,000	17,055,000	—	17,055,000
2011 Public Improvement	03/30/11	3.00-5.00%	116,800,000	116,800,000	(6,100,000)	110,700,000
2012A School Bonds	02/08/12	3.00-5.00%	96,790,000	—	96,790,000	96,790,000
2012B Refunding	02/08/12	5.00%	75,290,000	—	75,290,000	75,290,000
Total General Obligation Bonds				1,831,620,000	(76,750,000)	1,754,870,000

(continued)

	<i>Date of Issue</i>	<i>Interest Rate</i>	<i>Amount Issued</i>	<i>Debt Outstanding June 30, 2011</i>	<i>Net Additions (Retirements)</i>	<i>Debt Outstanding June 30, 2012</i>
<b>OTHER LONG-TERM DEBT:</b>						
Limited obligation bonds			303,480,000		(6,185,000)	297,295,000
Qualified zone academy bonds			980,772		(163,461)	817,311
Installment purchase			6,961,421		(1,267,700)	5,693,721
Capitalized equipment leases			173,449		(41,422)	132,027
Other post-employment benefits			47,524,452		17,782,526	65,306,978
Compensated absences			11,161,131		306,794	11,467,925
Total other long-term debt			<u>370,281,225</u>		<u>10,431,737</u>	<u>380,712,962</u>
<b>TOTAL GOVERNMENTAL LONG-TERM DEBT</b>						
			<u>\$2,201,901,225</u>		<u>\$(66,318,263)</u>	<u>\$2,135,582,962</u>

.104

**EXAMPLE COUNTY, NORTH CAROLINA**  
**SCHEDULE OF LONG-TERM DEBT MATURITIES AND**  
**ANNUAL DEBT SERVICE REQUIREMENTS FOR GOVERNMENTAL ACTIVITIES**  
**As of June 30, 2012**

BONDED DEBT Fiscal Year Ended June 30	PUBLIC SCHOOLS		OTHER		TOTAL	
	Principal	Principal and Interest	Principal	Principal and Interest	Principal	Principal and Interest
2013	\$112,684,560	\$177,163,458	\$17,275,440	\$27,179,946	\$129,960,000	\$204,343,404
2014	110,717,982	170,520,392	16,717,018	25,829,503	127,435,000	196,349,895
2015	111,054,160	166,666,335	16,170,840	24,526,860	127,225,000	191,193,195
2016	129,584,375	181,007,517	16,170,625	23,764,602	145,755,000	204,772,119
2017	127,118,574	174,008,905	16,566,426	23,401,771	143,685,000	197,410,676
2018	117,187,650	158,424,160	14,167,350	20,218,222	131,355,000	178,642,382
2019	118,603,583	154,938,787	13,411,417	18,780,276	132,015,000	173,719,063
2020	106,260,755	137,666,963	13,574,245	18,291,484	119,835,000	155,958,447
2021	84,124,852	110,634,146	16,185,148	20,242,624	100,310,000	130,876,770
2022	96,665,876	118,950,797	15,564,124	18,869,545	112,230,000	137,820,342
2023-2027	379,368,799	433,158,158	48,196,201	55,052,571	427,565,000	488,210,729
2028-2032	50,235,377	54,350,983	7,264,623	7,842,426	57,500,000	62,193,409
Total Bonded Debt	1,543,606,543	2,037,490,601	211,263,457	283,999,830	1,754,870,000	2,321,490,431

**OTHER LONG-TERM DEBT:**

Total limited obligation bonds, qualified zone academy bonds, installment purchases, notes payable and capitalized leases:

2013	163,461	163,461	13,507,743	27,528,411	13,671,204	27,691,872
2014	163,461	163,461	13,549,414	27,112,669	13,712,875	27,276,130
2015	163,461	163,461	13,589,212	26,667,153	13,752,673	26,830,614
2016	163,461	163,461	12,710,009	25,282,110	12,873,470	25,445,571
2017	163,467	163,467	12,638,366	24,745,431	12,801,833	24,908,898
2018-2022	—	—	61,221,004	113,572,120	61,221,004	113,572,120
2023-2027	—	—	60,700,000	98,286,169	60,700,000	98,286,169
2028-2032	—	—	60,700,000	83,306,688	60,700,000	83,306,688

(continued)

BONDED DEBT Fiscal Year Ended June 30	PUBLIC SCHOOLS		OTHER		TOTAL	
	Principal	Principal and Interest	Principal	Principal and Interest	Principal	Principal and Interest
2033-2037	—	—	54,505,000	62,040,500	54,505,000	62,040,500
Total Other Long-Term Debt	817,311	817,311	303,120,748	488,541,251	303,938,059	489,358,562
TOTAL LONG-TERM DEBT	<u>\$1,544,423,854</u>	<u>\$2,038,307,912</u>	<u>\$514,384,205</u>	<u>\$772,541,081</u>	<u>\$2,058,808,059</u>	<u>\$2,810,848,993</u>

On the Statement of Net Assets as of June 30, 2012, the amounts reported as liabilities for general obligation bonds—schools and limited obligation bonds also includes premiums on issuance of bonds of \$159,676,428 and \$20,403,480, respectively, which will be amortized over the life of its related debt.



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