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Local governmental audit and accounting manual, as of March 1, 1990 : a nonauthoritative practice aid

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LOCAL GOVERNMENTAL AUDIT AND ACCOUNTING MANUAL

AS OF MARCH 1, 1990

A NONAUTHORITATIVE PRACTICE AID

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EDITED BY:

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Preface

LOCAL GOVERNMENTAL AUDIT AND ACCOUNTING MANUAL

This manual contains material from Sections 4600, 5600, 9230, and 10,700 of the looseleaf AICPA Audit and Accounting Manual (as of March 1, 1990) which is updated quarterly. It also contains Section 3000 of the looseleaf AICPA Financial Statement Preparation Manual (as of February 1, 1990) also updated quarterly.

This is a nonauthoritative kit of practice aids prepared by the staff of the AICPA. Users are urged to refer directly to AICPA Audit and Accounting Guides and other authoritative pronouncements.

The authors hope the manual will be helpful to local firms and practitioners in the conduct of their audits of local governmental units. However, no generalized material, such as that included in this manual, can be a substitute for development and implementation by a firm of a system of quality control that is appropriately comprehensive and suitably designed to a firm's organizational structure, its policies, and the nature of its practice.

The sole responsibility for this material rests with the staff of the Technical Information Division. This material has not been approved, disapproved, or otherwise acted upon by the senior technical committees of the AICPA or the Financial Accounting Standard Board. Comments and suggestions may be addressed to the following:

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The division expresses its appreciation to James H. Jarriel, Jr. from the Florida State Auditors Office for his contribution to the development of the audit program in AAM Section 5600 of this manual.

**John H. Graves, CPA
Director-Technical Services**

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AAM Section 4600

**Illustrative Internal Control Structure
Questions--State and Local Governmental Units**

.010 The following is a list of illustrative internal control structure questions an auditor might raise concerning a state or local governmental unit. The extent of the internal control structure policies and procedures that an organization should establish is a judgment that must be made by management of the entity. The judgement is affected by circumstances, such as the size of the organization and the number of personnel available, and by conclusions about the relationship of costs and benefits. These illustrative questions are numbered merely for organization purposes. The numbers are in no way intended to infer completeness or a preferred sequence. A firm that believes the questionnaire approach is appropriate for its practice should develop its own internal control structure questionnaires based on its own needs and preferences. In any event, users of checklists and questionnaires should recognize that important matters in a particular set of circumstances may not be covered in a standard checklist.

I. Control Environment

[The control environment questions in AAM section 4600.020--.040 specifically apply to governmental entities and are not intended to be all-inclusive. The auditor should also consider the illustrative control environment inquiries in AAM section 4400.050--.110, which may apply to governmental entities.]

A. .020 Budgets and Planning

Segregation of Duties

1. Are responsibilities for budget preparation, adoption, execution, and reporting segregated? _____

B. .022 Preparation - Procedural Controls

1. Does the law require an awareness of budgets and budgetary procedures? _____

2. Are budgets prepared for all significant activities regardless of whether mandated by law? _____

3. Is a budget calendar used for the orderly submission and approval of the budget? _____

4. Have initial budget submission been developed and prepared by major departments and activity centers? _____

5. Has a finance or budget officer reviewed departmental budgets and have the departments of oversight or integration of the executive's goals and objectives made corrections? _____

6. Is the type of budgeting performed (traditional, program, performance) compatible with the accounting system? _____

7. Is the budget prepared in sufficient detail (responsibility level) providing a meaningful tool with which to monitor subsequent performance? _____

8. Are interfund and interdepartmental transfers included in the budget? _____

C. .024 Adoption - Procedural Controls

	Yes	No	N/A
1. Is citizen input obtained through budget hearings?	_____	_____	_____
2. Has the budget been submitted to the legislative body for approval and is there clear communication to operating departments or agencies of the effects of legislatively mandated budget modifications, either increases or decreases?	_____	_____	_____
3. Coincident with adoption of the budget, has there been appropriate legislative action to--			
a. Adopt legislation to implement raising of budgeted revenues?	_____	_____	_____
b. Initiate expenditure appropriations?	_____	_____	_____
(1). The central environment questions in AAM section 4600.020-.040, specifically apply to governmental entities and are not intended to be all inclusive. The auditor should also consider the illustrative control environment inquiries in AAM section 4400.050-.110, which may apply to governmental entities.			
4. Are estimated revenues and appropriations recorded in the accounting records for later comparison to actual amounts realized or incurred?	_____	_____	_____
5. Are budgets that have been approved by grantors in connection with grant activity recorded in the accounting system?	_____	_____	_____
6. Are budgets published if required by law?	_____	_____	_____
D. .026 Execution - Procedural Controls			
1. Have procedures been adopted and communicated establishing authority and responsibility for transfers between budget categories?	_____	_____	_____
2. Is the flow of expenditures or commitments controlled through the use of an allotment system?	_____	_____	_____
3. Does the accounting department submit approval as to availability of funds before the issuance of a purchase order or expenditure commitment?	_____	_____	_____
4. Are requests for supplemental appropriations or budget changes processed and approved in the same			

	Yes	No	N/A
manner as the original budget is processed and approved (or as required by law)?	_____	_____	_____
5. If liabilities and expenditures are recorded on an encumbrance or obligation basis, are there controls to ensure knowledge of outstanding commitments?	_____	_____	_____
E. .028 Reporting - Procedural Controls			
1. Are actual expenditures compared to budget with reasonable (monthly) frequency and on a timely basis?	_____	_____	_____
2. Are requests discussed with departmental personnel and are there explanations for significant variations from budget?	_____	_____	_____
3. Are executive and legislative branches notified of expenditures in excess of appropriate or budget?	_____	_____	_____
4. Are actual results of operations against the budget published if required by law?	_____	_____	_____
F. .030 Conflict of Interest Requirements			
1. Does a formal policy regarding conflicts of interest exist?	_____	_____	_____
2. Are written representations required from appropriate personnel as to compliance with accounting policies and procedures and ethics policies?	_____	_____	_____
3. Are loans to officials and employees prohibited or closely controlled?	_____	_____	_____
G. .040 Monitoring of Control Policies and Procedures			
1. Are the adequacy and effectiveness of the internal control structure policies and procedures relevant to the entity's transaction classes (revenues and receivables, procurement, etc.) and account balances periodically evaluated?	_____	_____	_____
2. Are measures implemented to correct weaknesses?	_____	_____	_____
II. Accounting System			

A. .050 General

1. Does the entity have adequate written statements and explanations of its accounting policies and procedures?

a. (Written accounting policies and procedures may include such matters as:

(1). Chart of accounts accompanied by explanations of the items to be included in the various accounts.

(2). Identification and description of the principal accounting records, recurring standard entries, and requirements for supporting documentation. For example, this may include information about the general ledger, source journals, subsidiary ledgers, and detail records for each significant class of transactions.

(3). Expression of the assignment of responsibilities and delegation of authority including identification of the individuals or positions that have authority to approve various types of recurring and non-recurring entries.

(4). Explanations of documentation and approval requirements for various types of recurring and non-recurring transactions and journal entries. Documentation requirements, for example, would include the basis and supporting computations required for adjustments and write-offs.

(5). Instructions for determining an adequate cutoff and closing of accounts for each reporting period.)

2. Are accounting policy and procedure manuals updated as necessary?

3. Are manuals distributed to appropriate personnel?

4. Do procedures exist to ensure that only authorized persons can alter or established a new accounting principle, policy, or procedure to be used by the entity?

	Yes	No	N/A
5. Does the principal accounting officer of the entity have adequate authority over accounting employees and principal accounting records at all locations?	_____	_____	_____
6. Are the principal accounting, treasury, and custody functions segregated?	_____	_____	_____
7. Are the responsibilities for maintaining the general ledger segregated from those for maintaining subsidiary ledgers?	_____	_____	_____
8. Are the responsibilities for maintaining the general ledger and custody of assets segregated?	_____	_____	_____
9. Is access to the general ledger and related records restricted to those who are assigned general ledger responsibilities?	_____	_____	_____
10. Are there adequate facilities for custody of the general ledger and related records?	_____	_____	_____
a. (Examples of such facilities include fire resistant locked cabinets, vaults, physical barriers, separate rooms, limited access to work areas, alarms, and other detection devices.)			
11. Is appropriate insurance coverage maintained in amounts required by statutes of entity policy?	_____	_____	_____
a. (Such insurance may include loss of records coverage and fidelity bonding of employees in positions of trust.)			
12. Are the preparation and approval functions for journal entries segregated?	_____	_____	_____
13. Are all journal entries reviewed and approved by designated individuals at appropriate levels in the entity?	_____	_____	_____
a. (The levels at which journal entries are reviewed and approved will usually vary depending on whether the entries are recurring, or non-recurring, routine or unusual, accumulation of routine transactions, or adjustments of balances requiring estimates and judgments.)	_____	_____	_____

Yes No N/A

14. Are all journal entries adequately explained and supported?

a. (Explanation and support for an entry should be sufficient to enable the person responsible for its review and approval to reasonably perform this function.)

15. Do all journal entries include approval in accordance with management's general or specific authorization?

16. Are all journal entries subject to controls over completeness of processing?

a. (Examples of controls over completeness of processing include prenumbering of journal vouchers and accounting for all numbers used, accumulation of control totals of dollar amounts debited and credited, and standard identification numbers for recurring entries.)

17. Do all journal entries include adequate identification of the accounts in which they are to be recorded?

B. .060 Electronic Data Processing - Segregation of Duties

1. Is the EDP department independent from the accounting and operating departments for which it processes data?

2. Does appropriate segregation of duties exist within the data processing function for (a) systems developments (design and programming), (b) technical support (maintenance of systems software), and (c) operations?

3. In smaller and minicomputer installations with limited opportunities for segregation of duties, do procedures exist for user departments to--

a. utilize batch or other input controls?

b. control master file changes?

c. balance master files between processing cycles?

Yes No N/A

4. Do the personnel policies of the EDP function include such procedures as reference checks, security statements, rotation of duties, and terminated employee security measures that enhance segregation of duties and otherwise improve controls?

C. .062 Procedural Controls - Segregation of Duties

1. Do controls exist over preparation and approval of input transactions outside the EDP department and is the department prohibited from initiating transactions?

2. Does the user exercise control procedures over input to ensure that all approved input is processed correctly through the system and only once?

3. Do controls exist over entry of data in on-line systems to restrict access to terminals and data entry to authorized employees?

4. Do on-line systems controls exist that prevent documents from being keyed into the system more than once and that permit tracing from computer output to data source and vice versa?

5. Do controls exist over changes to master files, such as requiring preparation of specific forms indicating data to be changed, approval by a supervisor in the user department, and verifying against a printout of changes?

6. Do user controls exist over rejected transactions through the use of a computerized suspense file of rejected transactions or an auxiliary manual system?

7. Does user department management reconcile output totals to input totals for all data submitted, reconcile the overall file balances, and review outputs for reasonableness?

D. .064 Application Controls - Segregation of Duties

1. Do procedures exist within the data processing control function that provide that data is

	Yes	No	N/A
properly controlled between the user and the EDP department?	_____	_____	_____
2. Do controls exist over data entry, for example, that include adequate supervision, up-to-date instructions, key verification of important fields, and self-checking digits?	_____	_____	_____
3. Do program controls exist over entry of data into on-line systems?	_____	_____	_____
4. Is input data edited and validated?	_____	_____	_____
5. Do data processing controls exist over rejected transaction?	_____	_____	_____
6. Do controls exist for balancing transactions and master files?	_____	_____	_____
7. Do procedures exist within the data processing control function concerning review and distribution of output?	_____	_____	_____
E. .066 General Controls - Segregation of Duties			
1. Do controls exist over changes to system software?	_____	_____	_____
2. Do controls exist over use and retention of tape and disk files, including provisions for retention of adequate records to provide back-up capabilities?	_____	_____	_____
3. Do controls exist that limit access to data processing equipment, tapes, disks, system documentation, and application program documentation to authorized employees?	_____	_____	_____
4. Is a job accounting system (or console logs) used to ensure that scheduled programs are processed and proper procedures followed and that supervisory personnel know that only required programs have been processed?	_____	_____	_____
5. Are EDP department employees supervised for all shifts?	_____	_____	_____
6. Are procedures to be followed by computer operators documented?	_____	_____	_____

	Yes	No	N/A
7. Is the data processing system documented such that the organization could continue to operate if important data processing employees leave?	_____	_____	_____
8. Do procedures exist to protect against a loss of important files, programs, or equipment?	_____	_____	_____
9. Are equipment, programs, and data files covered by insurance?	_____	_____	_____
10. Are there user-approved written specifications for new systems and modifications to existing application systems?	_____	_____	_____
11. Are there written procedures to test and implement new systems and modifications to existing application systems?	_____	_____	_____
F. .070 Financial Reporting			
1. Is the final review and approval of financial reports segregated from the responsibility for preparation of the reports?	_____	_____	_____
G. .072 General Ledger - Procedural Controls			
1. Is there a formal plan of organization for the unit of government under which reporting responsibilities are clearly defined and reasonably aligned?	_____	_____	_____
2. Is the principal accounting officer over accounting records and accounting employees supervised at all locations?	_____	_____	_____
3. Is there general ledger control over all assets and transactions of all departments of the organization?	_____	_____	_____
H. .074 Closing - Procedural Controls			
1. Are procedures and policies for closing the accounts for a reporting period sufficient to ensure that accounts are closed, adjusted, and reviewed on a timely basis?	_____	_____	_____
2. Do procedures exist to ensure that all accounting systems have included all transactions applicable to the reporting period?	_____	_____	_____

	Yes	No	N/A
3. Are valuation reserves or other account balances based on estimates reviewed and approved?	_____	_____	_____
4. Are all journal entries reviewed, approved, and supported by adequate descriptions or documentation?	_____	_____	_____
5. Do controls exist that ensure that only authorized individuals can initiate entries?	_____	_____	_____
I. .076 Combining - Procedural Controls			
1. Do procedures exist to ensure the orderly and effective accumulation of financial data?	_____	_____	_____
2. Do procedures exist for the orderly processing of financial data received from departments and other accounting units?	_____	_____	_____
3. Do procedures exist to permit the recording and review of special entries generated in the combining process?	_____	_____	_____
J. .078 Preparation, Review Approval - Procedural Controls			
1. Do procedures exist to ensure that financial reports are supported by either underlying account records or other documentation?	_____	_____	_____
2. Do procedures exist providing reasonable assurances that all data required to be included in legal as well as public reports are properly disclosed?	_____	_____	_____
3. Do procedures exist to ensure that financial reports are prepared on a consistent basis?	_____	_____	_____
4. Are financial reports reviewed and approved at appropriate levels of management and, if appropriate, by the legislature before public release?	_____	_____	_____
5. Are there procedures to ensure that all requirements for filing of financial reports are met (for example, senior levels of government, bondholders, and the public)?	_____	_____	_____
K. .080 Identified Significant Account Balances and Transaction Classes			

Yes No N/A

- 1. Cash? _____
- 2. Investments? _____
- 3. Revenues and Receivables? _____
- 4. Capital Assets? _____
- 5. Procurement and Payables? _____
- 6. Employee Compensation? _____

III. Cash

A. .090 Segregation of Duties

- 1. Are responsibilities for collection and deposit preparation functions segregated from those for recording cash receipts and general ledger entries? _____
- 2. Are responsibilities for cash receipts functions segregated from those for cash disbursements? _____
- 3. Are responsibilities for disbursement preparation and disbursement approval functions segregated from those for recording or entering cash disbursements information on the general ledger? _____
- 4. Are responsibilities for the disbursement approval function segregated from those for the disbursement voucher preparation, and purchasing functions? _____
- 5. Are responsibilities for entries in the cash receipt and disbursement records segregated from those for general ledger entries? _____
- 6. Are responsibilities for preparing and approving bank account reconciliations segregated from those for other cash receipt or disbursement functions? _____
- 7. If EDP is used, is the principle of segregation of duties within processing activities maintained? _____

B. .100 Collections - Procedural Controls

- 1. Are all receipts deposited on a timely basis (preferably daily)? _____

	Yes	No	N/A
2. Do controls exist over the collection, timely deposit, and recording of collections in the accounting records in each collection location?	_____	_____	_____
3. Is the general accounting department notified on a timely basis of cash receipts from separate collection locations?	_____	_____	_____
4. Are daily reported receipts compared on a test basis to bank statements to verify timeliness of deposits?	_____	_____	_____
5. Is a restrictive endorsement placed on each incoming check upon receipt?	_____	_____	_____
6. Are "not sufficient funds" checks delivered to someone independent of processing and recording of cash receipts?	_____	_____	_____
7. Do procedures exist for follow-up of "not sufficient funds" checks?	_____	_____	_____
8. Do controls exist to ensure that checks are returned promptly for deposit if checks received are forwarded to be used as posting media to taxpayers' or customers' amounts?	_____	_____	_____
9. Are receipts controlled by cash register, prenumbered receipts, or other equivalent means if payments are made in person (over the counter)?	_____	_____	_____
10. Are receipts accounted for and balanced to collections on a daily basis?	_____	_____	_____
11. Do facilities exist for protecting undeposited cash receipts?	_____	_____	_____
C. .102 Disbursements - Procedural Controls			
1. Does control exist over warrant or check-signing machines as to signature plates and usage?	_____	_____	_____
2. Are procedures provided for immediate notification to bans when warrant or check signers leave the unit or are otherwise no longer authorized to sign?	_____	_____	_____
3. Are invoices and supporting documents furnished to the signer prior to signing the warrant or check?	_____	_____	_____

	Yes	No	N/A
4. Are reasonable limits set on amounts that can be paid by facsimile signatures?	_____	_____	_____
5. Are two signatures required on warrants or checks over a stated amount?	_____	_____	_____
6. Are signature plates maintained in the custody of the person whose facsimile signature is on the plate when not in use?	_____	_____	_____
7. Are signature plates under the signer's control when in use?	_____	_____	_____
8. Is the recording machine read by the signer or an appropriate designee to ascertain that all checks or warrants signed are properly accounted for by comparison to document control totals?	_____	_____	_____
9. Are signed warrants or checks delivered directly to the mailroom making them inaccessible to persons who requested, prepared, or recorded them?	_____	_____	_____
10. Is the drawing of warrants or checks to cash or bearer prohibited?	_____	_____	_____
D. .104 Custody - Procedural Controls			
1. Are controls maintained over the supply of unused and voided warrants or checks?	_____	_____	_____
2. Are bank accounts properly authorized?	_____	_____	_____
3. Are depositories periodically reviewed and formally reauthorized?	_____	_____	_____
4. Do controls and physical safeguards exist surrounding working (petty cash) funds?	_____	_____	_____
5. Is adequate fidelity insurance maintained?	_____	_____	_____
6. Are separate bank accounts maintained for each fund, or if not, is there adequate fund control over pooled cash?	_____	_____	_____
E. .106 Detail Accounting - Procedural Controls			
1. Do procedures exist to ensure that collections and disbursements are recorded accurately and promptly?	_____	_____	_____

Yes No N/A

2. Do procedures exist for authorizing and recording interbank and interfund transfers and for providing for proper accounting for those transactions?

F. .108 General Ledger - Procedural Controls

1. Does general ledger control exist over all bank accounts?

2. Are bank statements and paid warrants or checks delivered in unopened envelopes directly to the employee preparing the reconciliation?

3. Do procedures exist for steps essential to an effective reconciliation, particularly--

a. Comparison of warrants or checks in appropriate detail with disbursement records?

b. Examination of signature and endorsements, at least on a test basis?

c. Accounting for numerical sequence of warrants or checks used?

d. Comparison of book balances used in reconciliations with general ledger accounts?

e. Comparison of deposit amounts and dates with cash receipts entries?

f. Footing of cash books?

4. Are all reconciliations and investigations of unusual reconciling items reviewed and approved by an official who is not responsible for receipts and disbursements, including recording evidence of the review and approval by signing the reconciliation?

5. Are checks outstanding for a considerable time periodically reviewed for propriety?

IV. Investments

A. .110 Segregation of Duties

1. Are responsibilities for initiating, evaluating,

	Yes	No	N/A
and approving transactions segregated from those for detail accounting, general ledger, and other related functions?	_____	_____	_____
2. Are responsibilities for initiating transactions segregated from those for final approvals that commit government resources?	_____	_____	_____
3. Are responsibilities for monitoring investment market values and performance segregated from those for investment acquisition?	_____	_____	_____
4. Are responsibilities for maintaining detail accounting records segregated from those for general ledger entries?	_____	_____	_____
5. Are custodial responsibilities for securities or other documents evidencing ownership or other rights assigned to an official who has no accounting duties?	_____	_____	_____
6. If EDP is used, is the principle of segregation of duties within processing activities maintained?	_____	_____	_____
B. .120 Approval - Procedural Controls			
1. If applicable, are procedures adequate to ensure that only investments that are permitted by law are acquired?	_____	_____	_____
2. Are investment policy guidelines formally established and periodically reviewed?	_____	_____	_____
3. Is the investment program integrated with the cash management program and expenditure requirements?	_____	_____	_____
4. Have authority and responsibility been established for investment opportunity evaluation and purchase?	_____	_____	_____
5. Is the performance of the investment portfolio periodically evaluated by persons independent of investment portfolio management activities?	_____	_____	_____
6. Are procedures formally established governing the level and nature of approvals required to purchase or sell an investment?	_____	_____	_____
7. Are competitive bids sought for certificate of deposit purchases?	_____	_____	_____

Yes No N/A

C. .122 Custody - Procedural Controls

- 1. Do adequate physical safeguards and custodial procedures exist over--
 - a. Negotiable and nonnegotiable securities owned? _____
 - b. Legal documents or agreements evidencing ownership or other rights? _____
- 2. Are dual signatures or authorizations required to obtain release of securities from safekeeping or to obtain access to the government unit's safe deposit box? _____
- 3. Are persons with access to securities authorized by the legislative body? _____
- 4. Are all securities registered in the name of the government unit? _____
- 5. Are securities periodically inspected or confirmed from safekeeping agents? _____
- 6. Are individuals with access to securities bonded? _____

D. .124 Detail Accounting - Procedural Controls

- 1. Are detail accounting records maintained for investments? _____
- 2. Do procedures exist to ensure that transactions arising from investments are properly processed, including income and amortization entries? _____
- 3. Do controls exist to ensure that investment earnings are credited to the fund from which resources were provided for the investment? _____
- 4. Are periodic comparisons made between income received and the amount specified by the terms of the security or publicly available investment information? _____
- 5. Do controls exist to ensure that transactions are recorded on a timely basis? _____

E. .126 General Ledger - Procedural Controls

Yes No N/A

1. Do procedures exist for reconciling the detail accounting records with the general ledger control?

2. Is the nature of investments included in general ledger balances periodically reviewed?

V. Revenues and Receivables

A. .130 Segregation of Duties

1. Are the responsibilities for billing property taxes and services segregated from collection and accounting?

2. Are the responsibilities for maintaining detail accounts receivable records segregated from collections and general ledger posting?

3. Are the collection, control, and deposit of funds activities segregated from the accounting records maintenance function?

4. Are property tax assessment rolls maintained by individuals not engaged in any accounting or collection function?

5. Are responsibilities for entries in the cash receipts records segregated from those for general ledger entries?

6. If EDP is used, is the principle of segregation of duties within processing activities maintained?

B. .140A Data and File Maintenance/Property Taxes-
Procedural Controls

1. Do controls exist to ensure that additions, deletions, transfers, and abatements are properly and timely reflected in property tax records?

2. Do procedures exist to make property assessments in accordance with the law or legislative intent with prompt adjustment of records?

C. .140B Data and File Maintenance/Sales, Income,
and Other Taxes - Procedural Controls

1. Are filed returns cross-referenced against a data base of previous taxpayers?

		Yes	No	N/A
	2. Are records organized and integrated in such a fashion that probable taxpayers are identified as a result of reporting of other governmental activities such as licensing?	_____	_____	_____
D.	.140C Data and File Maintenance/License Fees and Permits - Procedural Controls			
	1. If annual payments are involved, do procedures exist to ensure that previous years' records are properly updated for new registrants and withdrawals?	_____	_____	_____
	2. Are updated records used as the basis for billing persons subject to payment?	_____	_____	_____
E.	.140D Data and File Maintenance/Fines, Forfeitures, and Court Fees - Procedural Controls			
	1. Are court and other records of payments due maintained and used as a basis for collections?	_____	_____	_____
	2. Do procedures exist surrounding the control, issuance, and disposition of traffic violations to ensure that amounts due are assessed and collected?	_____	_____	_____
F.	.140E Data and File Maintenance/Enterprises and Other Revenues - Procedural Controls			
	1. Are controls maintained that provide assurances that customer data base and, where appropriate, usage records are accurately maintained to ensure that amounts due are billed?	_____	_____	_____
G.	.141A Billing/Remittance Verification - Property Taxes - Procedural Controls			
	1. Do controls exist within the billing system to ensure that eligible property owners are billed?	_____	_____	_____
	2. Do controls exist to ensure that tax assessments are being properly applied against tax rates and special charges are being considered in the preparation of billing amounts?	_____	_____	_____
	3. Do controls exist to ensure that tax exemptions are within the law and properly approved?	_____	_____	_____

		Yes	No	N/A
H.	.141B Billing/Remittance Verification/Sales, Income and Other Taxes - Procedural Controls			
	1. Are returns reviewed for mathematical accuracy?	_____	_____	_____
	2. Are current year's taxpayers' returns correlated with prior year's returns and are differences reviewed and accounted for?	_____	_____	_____
	3. Are claims for refunds reviewed and approved separately?	_____	_____	_____
	4. Are audits of returns filed to provide reasonable assurance that taxable income is properly reported?	_____	_____	_____
I.	.141C Billing/Remittance Verification/License Fees and Permits - Procedural Controls			
	1. Are current year receipts compared to those for prior years and are explanations of variations reviewed by senior officials?	_____	_____	_____
J.	.141D Billing/Remittance Verification/Fines, Forfeitures and Court Fees - Procedural Controls			
	1. Do procedures exist providing for correlation of amounts collected with records of court proceedings?	_____	_____	_____
	2. Are tickets for fines, arrests, and so forth sequentially numbered and satisfactorily accounted for?	_____	_____	_____
K.	.141E Billing/Remittance Verification/Enterprise and Other Service Revenues - Procedural Controls			
	1. If billing is based on usage, are service readings performed in a timely fashion?	_____	_____	_____
	2. Are assignments of meter readers periodically rotated?	_____	_____	_____
	3. Do billing procedures exist providing for identification and investigation of unusual patterns of use?	_____	_____	_____

	Yes	No	N/A
L. .142 General - Procedural Controls			
1. Are taxes and fees billed in a timely fashion?	_____	_____	_____
2. Do procedures exist designed for other revenue areas ensuring timely payment of amounts due?	_____	_____	_____
3. Are rates of taxes, fines, fees, and services periodically reviewed and approved by the legislative body?	_____	_____	_____
4. Are programs of tax exemption or relief periodically reviewed and approved by the legislative body?	_____	_____	_____
5. Are utility rate schedules authorized by the legislative body?	_____	_____	_____
6. Do procedures exist providing for timely notification of the accounting department at the time tax, service, or other billings or claims are prepared and rendered?	_____	_____	_____
7. Do numerical or batch-processing controls exist over tax, fee, service, or other billings?	_____	_____	_____
8. Do controls exist over the billing of miscellaneous revenues (for example, sidewalk replacement and tree removal assessments)?	_____	_____	_____
9. Do procedures exist to prevent the interception or alteration by unauthorized persons of billings or statements after preparation but before they are mailed?	_____	_____	_____
10. Does an individual independent of receivables record keeping promptly investigate disputes with billing amounts that are reported by taxpayers or service recipients?	_____	_____	_____
11. Do controls exist providing reasonable assurances that restricted revenues are expended only for restricted purposes?	_____	_____	_____
M. .143 Collection - Procedural Controls			
1. Is restrictive endorsement placed on incoming checks as soon as received?	_____	_____	_____

	Yes	No	N/A
2. Do procedures exist providing reasonable assurances that interest and penalties are properly charged on delinquent taxes, fees, or charges for service?	_____	_____	_____
3. Do procedures exist providing for the timely filing of liens on property for nonpayment in all cases permitted by law?	_____	_____	_____
4. Do controls exist surrounding the collection, timely deposit, and recording of collections in the accounting records at each collection location?	_____	_____	_____
5. Is the general accounting department notified of cash receipts from separate collection centers on a timely basis?	_____	_____	_____
6. If payments are made in person, are receipts for payment used and accounted for and balanced to collections?	_____	_____	_____
7. If payments are made in person, are receipts for payment used and accounted for and balanced to collections?	_____	_____	_____
8. Are amounts collected on behalf of other governments segregated and remitted on a timely basis?	_____	_____	_____
9. Are taxes and fees collected by another unit of government monitored to assure timely receipt and are amounts received subjected to reviews for reasonableness?	_____	_____	_____
10. Are delinquent accounts reviewed and considered for charge-off on a timely basis?	_____	_____	_____
11. Are write-offs or other reductions of receivables formally approved by senior officials not involved in the collection function?	_____	_____	_____
12. Do procedures exist providing for execution of all legal remedies to collect charged-off or uncollectible accounts, including tax sale of property, liens, and so forth?	_____	_____	_____
N. .144 Accounts Receivable Record Keeping - Procedural Controls			

		Yes	No	N/A
1.	Do controls in the system exist that provide assurances that individual receivable records are posted only from authorized source documents?	_____	_____	_____
2.	Are aggregate collections on accounts receivable reconciled against postings to individual receivable accounts?	_____	_____	_____
3.	Are statements of account balance mailed on a timely basis, where appropriate (for example, in proprietary funds)?	_____	_____	_____
O. .145 General Ledger - Procedural Controls				
1.	Are trial balances of individual receivable accounts prepared on a timely basis?	_____	_____	_____
2.	Are trial balances reconciled with general ledger control accounts and are reconciling items investigated by someone other than accounts receivable clerks?	_____	_____	_____
3.	Are aged accounts receivable balances periodically reviewed by supervisory personnel?	_____	_____	_____
4.	Do procedures exist providing for timely and direct notification of the accounting department of billings and collection activities?	_____	_____	_____
P. .146 Grant and Entitlement Monitoring/Grants-Procedural Controls				
1.	Is responsibility for monitoring grant activities properly fixed?	_____	_____	_____
2.	Is grant activity monitored from a centralized location?	_____	_____	_____
3.	Do procedures exist to monitor compliance with--			
a.	Financial reporting requirements?	_____	_____	_____
b.	Use of funds and other conditions in accordance with grant terms?	_____	_____	_____
c.	Timely billing of amounts due under grants?	_____	_____	_____
4.	Is grant activity accounted for so that it can be separated from the accounting for locally funded activities?	_____	_____	_____

	Yes	No	N/A
5. Is there a system for obtaining grantor approval before incurring expenditures in excess of budgeted amounts or for unbudgeted expenditures?	_____	_____	_____
6. Are grant revenues and disbursements processed under the same degree of controls applicable to the organization's other transactions (budget, procurement, etc.)?	_____	_____	_____
7. Are requirements included in subgrantee agreements that the subgrantee comply with the primary grant agreement conditions as well as the grantee's standards?	_____	_____	_____
8. Do reasonable procedures and controls exist to provide assurances of compliance with recipient eligibility requirements established by grants?	_____	_____	_____
9. Is an indirect cost allocation plan established?	_____	_____	_____
10. Is the plan approved by all grantor agencies?	_____	_____	_____
11. Is audit cognizance established for rates generated by the plan?	_____	_____	_____
Q. .147 Grant and Entitlement Monitoring/ Entitlements - Procedural Controls			
1. Is the amount of funds received compared with the amount anticipated by a responsible official and are unusual variances investigated?	_____	_____	_____
2. Do procedures exist to ensure that funds received are spent in accordance with legal requirements and spending restrictions?	_____	_____	_____
3. Are statistical or data reports that form the basis for revenue distribution reviewed by a responsible official before submission?	_____	_____	_____

VI. Capital Assets

A. .150 Segregation of Duties

1. Are responsibilities for initiating, evaluating, and approving capital expenditures, leases, and maintenance or repair projects segregated from those for project accounting, property records, and general ledger functions?	_____	_____	_____
--	-------	-------	-------

	Yes	No	N/A
2. Are responsibilities for initiating capital asset transactions segregated from those for final approvals that commit government resources?	_____	_____	_____
3. Are responsibilities for the project accounting and property records functions segregated from the general ledger function?	_____	_____	_____
4. Are responsibilities for the project accounting and property records functions segregated from the custodial function?	_____	_____	_____
5. Are responsibilities for the periodic physical inventories of capital assets assigned to responsible officials who have no custodial or record keeping responsibilities?	_____	_____	_____
6. If EDP is used, is the principle of segregation of duties maintained within processing activities?	_____	_____	_____
B. .160 Authorization - Procedural Controls			
1. Are those individuals authorized to initiate capital asset transactions identified and is there clear definition of the limits of their authority?	_____	_____	_____
2. Are guidelines established with respect to key considerations such as prices to be paid, acceptable vendors and terms, asset quality standards, and the provisions of grants or bonds that may finance the expenditures?	_____	_____	_____
3. Is a separate capital projects budget prepared?	_____	_____	_____
C. .160B Executive or Legislative Approval - Procedural Controls			
1. Is written executive or legislative approval required for all significant capital asset projects or acquisitions?	_____	_____	_____
2. Do procedures exist for authorizing, approving, and documenting sales or other dispositions of capital assets?	_____	_____	_____
3. Do procedures exist for approving decisions regarding financing alternatives and accounting principles, practices, and methods?	_____	_____	_____

	Yes	No	N/A
4. Are grant-funded acquisitions subjected to the same controls as internally funded acquisitions?	_____	_____	_____
5. Are supplemental authorizations required, including, if appropriate, those of the grantor agency, for expenditures in excess of originally approved amounts?	_____	_____	_____
D. .160C Project Accounting - Procedural Controls			
1. Is a qualified employee or independent firm engaged to inspect and monitor technically complex projects?	_____	_____	_____
2. Are project cost records established and maintained for capital expenditure and repair projects?	_____	_____	_____
3. Do reporting procedures exist for in-progress and completed projects?	_____	_____	_____
4. Do procedures exist to identify completed projects so that timely transfers to the appropriate accounts can be made?	_____	_____	_____
5. Is the accounting distribution reviewed to ensure proper allocation of charges to fixed asset and expenditure projects?	_____	_____	_____
6. If construction work is performed by contractors, do procedures exist to provide for and maintain control over construction projects and progress billings?	_____	_____	_____
7. Does the unit of government have the right to audit contractors' records?	_____	_____	_____
8. Is the right to audit contractor records during project performance exercised?	_____	_____	_____
9. Do audits of contractors cover compliance with EEO, Davis Bacon, and other regulations and contract terms, in addition to costs?	_____	_____	_____
E. .160D Asset Accountability - Procedural Controls			
1. Are detail property records maintained for all significant self-constructed, donated, purchased, or leased assets?	_____	_____	_____

	Yes	No	N/A
2. Is the accountability for each asset established?	_____	_____	_____
3. Do procedures exist for periodic inventory of documents evidencing property rights (for example, deeds, leases, and the like)?	_____	_____	_____
4. Do physical safeguards over assets exist?	_____	_____	_____
5. Do procedures exist ensuring that purchased materials and services for capital expenditure and repair projects are subjected to the same levels of controls as exist for all other procurements (for example, receiving, approval, checking)?	_____	_____	_____
6. Are detailed property records periodically compared with existing assets?	_____	_____	_____
7. Are differences between records and physical counts investigated and are the records adjusted to reflect shortages?	_____	_____	_____
8. Do procedures exist ensuring that capital assets are adequately insured?	_____	_____	_____
9. Are lease transactions subjected to control procedures similar to those required for other capital expenditures?	_____	_____	_____
10. Is equipment properly identified by metal numbered tags or other means of positive identification?	_____	_____	_____
11. Are fully depreciated assets carried in the accounting records as a means of providing accounting control?	_____	_____	_____
12. Do procedures exist for monitoring the appropriate disposition of property acquired with grant funds?	_____	_____	_____
F. .160E General Ledger - Procedural Controls			
1. Are detailed property records periodically reconciled with the general ledger control accounts?	_____	_____	_____
2. Do procedures and policies exist to--			
a. distinguish between capital projects' fund expenditures and operating budget expenditures?	_____	_____	_____

- | | Yes | No | N/A |
|--|-------|-------|-------|
| b. identify operating budget expenditures to be capitalized in the fixed asset fund? | _____ | _____ | _____ |
| c. distinguish between capital and operating leases? | _____ | _____ | _____ |
| d. govern depreciation methods and practices? | _____ | _____ | _____ |
| 3. If costs are expected to be charged against federal grants, are depreciation policies or methods of computing allowances in accord with the standards outlined in OMB circulars, or grantor agency regulations; if not, is depreciation charged to grants adjusted accordingly? | _____ | _____ | _____ |
| 4. Are the accounting records adjusted promptly --both the asset and related allowance for depreciation--when items of plant and equipment are retired, sold, or transferred? | _____ | _____ | _____ |

VII. Procurement and Payables

A. .170 Segregation of Duties

- | | | | |
|---|-------|-------|-------|
| 1. Are responsibilities for the requisitioning purchasing, and receiving functions segregated from the invoice processing, accounts payable, and general ledger functions? | _____ | _____ | _____ |
| 2. Are responsibilities for the purchasing function segregated from the requisitioning and receiving functions? | _____ | _____ | _____ |
| 3. Are responsibilities for the invoice processing and accounts payable functions segregated from the general ledger functions? | _____ | _____ | _____ |
| 4. Are responsibilities for the disbursement preparation and disbursement approval functions segregated from those for recording cash disbursements and general ledger entries? | _____ | _____ | _____ |
| 5. Are responsibilities for the disbursement approval function segregated from those for the disbursement preparation function? | _____ | _____ | _____ |
| 6. Are responsibilities for entries in the cash disbursement records segregated from those for general ledger entries? | _____ | _____ | _____ |

	Yes	No	N/A
7. If EDP is used, is the principle of segregation of duties maintained within processing activities?	_____	_____	_____
B. .180A Requisitioning - Procedural Controls			
1. Are purchases of goods and services initiated by properly authorized requisitions bearing the approval of officials designated to authorize requisitions?	_____	_____	_____
2. Are requisitions prenumbered and are those numbers controlled?	_____	_____	_____
3. Is the appropriation to be charged indicated on the purchase requisition by the person requesting the purchase?	_____	_____	_____
4. Before commitment, are unobligated funds remaining under the appropriation verified by the accounting or budget department as sufficient to meet the proposed expenditure?	_____	_____	_____
5. Are requests for special purpose (nonshelf items) materials or personal services accompanied by technical specifications?	_____	_____	_____
C. .180B Purchasing - Procedural Controls			
1. Are purchasing authorizations structured to give appropriate recognition to the nature and size of purchases and the experience of purchasing personnel?	_____	_____	_____
2. Do approval procedures exist for purchase order and contract issuance?	_____	_____	_____
3. Are purchase prices periodically reviewed by a responsible employee independent of the purchasing department?	_____	_____	_____
4. Are competitive bidding procedures used?	_____	_____	_____
5. If practicable, are contract or purchasing officer's areas of responsibility rotated on a regular basis?	_____	_____	_____
6. Do provisions in contracts for materials, services, or facilities acquired on other than a fixed price basis provide for an audit of	_____	_____	_____

	Yes	No	N/A
contractors' costs, with payments subject to audit results?	_____	_____	_____
7. Do procedures exist for public advertisement of nonshelf item procurements in accordance with legal requirements?	_____	_____	_____
8. Are recurring purchases and documentation of the justification for informal rather than competitive bids periodically reviewed?	_____	_____	_____
9. Are policies regarding conflicts of interest and business practice policies established, documented and distributed?	_____	_____	_____
10. Are purchase orders and contracts issued under numerical or some other suitable control?	_____	_____	_____
11. Are an adequate number of price quotations obtained before placing orders not subject to competitive bidding?	_____	_____	_____
12. Is splitting orders prohibited to avoid higher levels of approval?	_____	_____	_____
13. Are price lists and other appropriate records of price quotations maintained by the purchasing department?	_____	_____	_____
14. Is a record of suppliers who have not met quality or other performance standards by the purchasing department maintained?	_____	_____	_____
15. Are procedures modified when funds disbursed under grant or loan agreements and related regulations impose requirements that differ from the organization's normal policies?	_____	_____	_____
16. Are procedures instituted to identify, before order entry, cost and expenditures not allowable under grant (federal/state) programs?	_____	_____	_____
17. Is an adequate record of open purchase orders and agreements maintained?	_____	_____	_____
18. Are purchases made for the accommodation of employees prohibited or adequately controlled?	_____	_____	_____
19. If construction contracts are to be awarded, are bid and performance bonds considered?	_____	_____	_____

Yes No N/A

20. Does predetermining selection criteria exist for awarding personal service or construction contracts and is adequate documentation of the award process required?

21. Are changes to contracts or purchase orders subjected to the same controls and approvals as the original agreement?

D. .180C Receiving - Procedural Controls

1. Are receiving reports prepared for all purchased goods?

2. Do procedures exist for the filing of claims against carriers or vendors for shortages or damaged materials?

3. Are steps taken to ensure that goods received are accurately counted and examined to see that they meet quality standards?

4. Is a permanent record of material received by the receiving department maintained?

5. Are receiving reports numerically accounted for or otherwise controlled to ensure that all receipts are reported to the accounting department?

6. Are copies of receiving reports sent directly to purchasing, accounting, and, if appropriate, inventory record keeping?

7. Is a government technical representative assigned to monitor and evaluate contractor performance and approve receipt of services with respect to procurements of special purpose materials, services, or facilities?

8. If a receiving department is not used, do adequate procedures exist to ensure that goods for which payment is made have been received and are verified by someone other than the individual approving payment that goods have been received and meet quality standards?

E. .180D Invoice Processing - Procedural Controls

1. Do invoice processing procedures provide for--

	Yes	No	N/A
a. obtainment directly from issuing departments of copies of purchase orders and receiving reports?	_____	_____	_____
b. comparison of invoice quantities, prices, and terms with those indicated on the purchase order?	_____	_____	_____
c. comparison of invoice quantities with those indicated on the receiving reports?	_____	_____	_____
d. as appropriate, checking accuracy of calculations?	_____	_____	_____
2. Are all invoices received from vendors in a central location, such as the accounting department?	_____	_____	_____
3. Do procedures exist ensuring that the accounts payable system is properly accounting for unmatched receiving reports and invoices?	_____	_____	_____
4. Are requests for progress payments under long-term contracts related to contractors' efforts and are they formally approved?	_____	_____	_____
5. Do procedures exist for processing invoices not involving materials or supplies (for example, lease or rental payments, utility bills)?	_____	_____	_____
6. Do procedures exist ensuring accurate account distribution of all entries resulting from invoice processing?	_____	_____	_____
7. If applicable, is access to the EDP master vendor file limited to employees authorized to make changes?	_____	_____	_____
8. Does the accounting department maintain a current list of those authorized to approve expenditures?	_____	_____	_____
9. Do procedures exist for submission and approval of reimbursement to employees for travel and other expenses?	_____	_____	_____
10. Is control established by the accounting department over invoices received before releasing them for departmental approval and other processing?	_____	_____	_____

Yes No N/A

- | | | | | |
|-----|--|-------|-------|-------|
| 11. | Is the distribution of charges in the accounting department reviewed by a person competent to pass on the propriety of the distribution? | _____ | _____ | _____ |
| 12. | Are invoices (vouchers) reviewed and approved for completeness of supporting documents and required clerical checking by a senior employee? | _____ | _____ | _____ |
| 13. | If an invoice is received from a supplier not previously dealt with, are steps taken to ascertain that the supplier actually exists? | _____ | _____ | _____ |
| 14. | Are payments made only on the basis of original invoices? | _____ | _____ | _____ |
| 15. | Is responsibility fixed for seeing that all cash discounts are taken and if applicable, that exemptions from sales, federal excise, and other taxes are claimed? | _____ | _____ | _____ |
| 16. | Are differences in invoice and purchase order price, terms, shipping arrangements, or quantities referred to purchasing for review and approval? | _____ | _____ | _____ |
| 17. | Does the accounting department record and follow up partial deliveries? | _____ | _____ | _____ |
| 18. | Are the accounting and purchasing departments promptly notified of returned purchases, and are such purchases correlated with vendor credit advices? | _____ | _____ | _____ |
| 19. | Is the program and expenditure account to be charged reviewed for propriety and budget conformity? | _____ | _____ | _____ |
| 20. | Do check signers or other responsible officials determine that restricted revenues are expended only for restricted purposes? | _____ | _____ | _____ |
| 21. | If applicable, do procedures exist to ensure adjustment of the reserve for encumbrances (obligations) when invoices are prepared for payment? | _____ | _____ | _____ |
| F. | .180E Disbursements - Procedural Controls | | | |
| 1. | Do procedures exist for disbursement approval and warrant or check-signing? | _____ | _____ | _____ |

	Yes	No	N/A
2. Is there control over warrant or check-signing machines as to signature plates and usage?	_____	_____	_____
3. Do procedures exist to notify banks when a new signer is authorized or a previous signer leaves the employ of the government?	_____	_____	_____
4. Is the signer furnished with invoices and supporting data and are they reviewed prior to signing the warrant or check?	_____	_____	_____
5. Are reasonable limits set on amounts that can be paid by facsimile signatures?	_____	_____	_____
6. Are two signatures required on all warrants or checks over a stated amount?	_____	_____	_____
7. Are signature plates maintained in the custody of the person whose facsimile signature is on the plate when not in use?	_____	_____	_____
8. Are plates only under the signer's control used and does that person or an appropriate designee record machine readings to ascertain that all checks or warrants signed are properly accounted for?	_____	_____	_____
9. Are invoices and supporting documents cancelled by or in the presence of the signer at the time of signing?	_____	_____	_____
10. Are signed warrants or checks delivered directly to the mail room, making them inaccessible to persons who requested, prepared, or recorded them?	_____	_____	_____
11. Are warrants or checks controlled and accounted for with safeguards over those unused and voided?	_____	_____	_____
12. Is the drawing of warrants or checks to cash or bearer prohibited?	_____	_____	_____
13. Do procedures exist ensuring that warrants or checks that have been signed and issued are recorded promptly?	_____	_____	_____
G. .180F Accounts Payable Encumbrances or Obligations- Procedural Controls			
1. Are statements from vendors compared on a regular basis with recorded amounts payable?	_____	_____	_____

Yes No N/A

2. If an encumbrance (obligation) system is used, are outstanding purchase orders reconciled to the reserve for encumbrances (obligations) on a monthly basis?

3. Are encumbrance (obligation) entries recorded only on the basis of approved purchase orders?

4. Do procedures exist ensuring that accounts payable and encumbrances (obligations) are applied against the appropriate account?

5. Do procedures exist ensuring that department heads are notified of payments made against accounts payable and encumbrances (obligations)?

H. .181A General Ledger - Procedural Controls

1. Are trial balances of reserve for encumbrances (obligations) and accounts payable prepared on a regular basis?

2. Are trial balances footings checked and traced to the individual items as well as comparing the total to the general ledger balance by an employee other than the accounts payable clerk?

3. Are transactions between funds in all affected funds posted in the same accounting period and on a timely basis?

I. .181B Grant and Entitlement Monitoring - Procedural Controls

1. Are grants disbursed only on the basis of approved applications?

2. Are reporting and compliance requirements defined (for example, in regulations) and communicated to grantees?

3. Do procedures exist to monitor grantee compliance with grant terms?

4. Are financial operations of grantees subjected to periodic and timely audit?

5. Are recipients monitored sufficiently and on a timely basis to permit curtailment of any abuse before complete funds disbursement?

	Yes	No	N/A
6. Are funds disbursed to grantees only on an as-needed basis?	_____	_____	_____
7. Does the level of grant approval authority appear appropriate?	_____	_____	_____
8. Is failure by grantees to meet financial reporting requirements investigated on a timely basis?	_____	_____	_____
9. Are grantees required to evidence correction of previously detected deficiencies before approval of an extension or renewal of a grant?	_____	_____	_____
10. Do entitlement procedures exist ensuring that statistics or data used to allocate funds are accurately accumulated (for example, census bureau forms)?	_____	_____	_____
11. Are statements of recipients compliance required with entitlement conditions (for example, statement of assurances) to be filed and does a responsible official review them?	_____	_____	_____
12. Are audited financial statements or other compliance requirements of entitlement recipients reviewed on a timely basis and are unusual items investigated?	_____	_____	_____

VIII. Employee Compensation

A. .190 Segregation of Duties

1. Are responsibilities for supervision and timekeeping functions segregated from personnel, payroll processing, disbursement, and general ledger functions?	_____	_____	_____
2. Are responsibilities for the payroll processing function segregated from the general ledger function?	_____	_____	_____
3. Is payroll distribution supervised by employees--			
a. who are not responsible for hiring or firing employees?	_____	_____	_____
b. who do not approve time reports?	_____	_____	_____
c. who take no part in payroll preparation?	_____	_____	_____

Yes No N/A

- 4. Are responsibilities for initiating payments under employee benefit plans segregated from accounting and general ledger functions? _____
- 5. Is the payroll bank account reconciled regularly by employees independent of all other payroll transaction processing activities? _____
- 6. If EDP is used, is the principle of segregation of duties maintained in processing activities? _____

B. .200A Personnel - Procedural Controls

- 1. Are all changes in employment (additions and terminations), salary, and wage rates, and payroll deductions properly authorized, approved, and documented? _____
- 2. Are notices of additions, separations, and changes in salaries, wages, and deductions promptly reported to the payroll-processing function? _____
- 3. Are appropriate payroll records maintained for accumulated employee benefits (vacation, pension data, etc.) _____
- 4. Are terminating employees interviewed as a check on departure and as a final review of any termination settlement by the personnel department? _____
- 5. Do written personnel policies exist? _____
- 6. Are controls established to ensure that payroll costs charged to grants are in compliance with grant agreements? _____
- 7. Are payroll and personnel policies governing compensation in accordance with the requirements of grant agreements? _____
- 8. Are wages at or above the federal minimum wage? _____

C. .200B Supervision/Timekeeping - Procedural Controls

- 1. Are hours worked, overtime hours, and other special benefits reviewed and approved by the employee's supervisor? _____

	Yes	No	N/A
2. Do records and procedures exist for timekeeping and attendance?	_____	_____	_____
3. Are time cards or other time reports reviewed for completeness and approved by the employee's supervisor?	_____	_____	_____
4. If time cards are used, are they punched only by the employees to whom they are issued?	_____	_____	_____
5. Is the time clock placed in a position where it can be observed by a supervisor?	_____	_____	_____
6. Do procedures exist for authorizing, approving, and recording vacations, holidays, and sick leave and is compensatory time controlled and approved?	_____	_____	_____
D. .200C Payroll Processing - Procedural Controls			
1. Do controls exist over payroll preparation?	_____	_____	_____
2. Are changes in the EDP master payroll file approved and documented?	_____	_____	_____
3. Is access to the EDP master payroll file limited to employees who are authorized to make changes?	_____	_____	_____
4. Are completed payroll registers reviewed and approved before disbursements are made?	_____	_____	_____
5. Are documents supporting employee benefit payments (such as accumulated vacation or sick leave) reviewed before disbursements are made?	_____	_____	_____
6. Are comparisons (reconciliations) of gross pay of current to prior period payrolls reviewed for reasonableness by a knowledgeable person not otherwise involved in payroll processing?	_____	_____	_____
7. Is the payroll (examination of authorizations for changes noted on reconciliations) reviewed by an employee not involved in its preparation?	_____	_____	_____
8. Is the distribution of dollars and hours of gross pay balanced with the payroll registers, and reviewed by someone independent but knowledgeable in this area?	_____	_____	_____
9. Is a comparison to amounts appropriated and budgeted included in the review?	_____	_____	_____

	Yes	No	N/A
10. Are payroll advances to officials and employees prohibited or are they subjected to appropriate review?	_____	_____	_____
E. .200D Disbursement - Procedural Controls			
1. Are signature plates and the use of the payroll check-signing machines kept under control of the official whose name appears on the signature plate or an employee to whom he has delegated that responsibility?	_____	_____	_____
2. Is a log maintained that reconciles the counter on the check-signing machine with the number of checks issued in each payroll?	_____	_____	_____
3. Is a separate, imprest-basis, payroll bank account maintained?	_____	_____	_____
4. Is the payroll bank account reconciled on a regular basis?	_____	_____	_____
5. Are payroll check endorsements compared, on a test basis, with signatures on file by someone independent of the payroll department?	_____	_____	_____
6. Is someone independent of the payroll department comparing payments made in cash, which require signed receipts, with signatures on file on a test basis?	_____	_____	_____
7. Is the supply of unused payroll checks controlled?	_____	_____	_____
8. Are employees required to provide identification before being given checks or pay envelopes?	_____	_____	_____
9. Are unclaimed wages returned to a custodian independent of the payroll department?	_____	_____	_____
10. Do employees who distribute checks or pay envelopes make a report of unclaimed wages directly to the accounting department?	_____	_____	_____
11. Are payments of unclaimed wages made at a later date only upon presentation of appropriate evidence of employment and are they approved by an officer or employee who is not responsible for payroll preparation or time reporting?	_____	_____	_____

	Yes	No	N/A
12. Are W-2 forms compared to payroll records and mailed by employees not otherwise involved in the payroll process?	_____	_____	_____
13. Do procedures exist for investigating returned W-2s?	_____	_____	_____
14. Are payroll checks periodically distributed by the internal auditors to ascertain that employees exist for all checks prepared?	_____	_____	_____
F. .200E General Ledger - Procedural Controls			
1. Do adequate account coding procedures exist for classification of employee compensation and benefit costs so that such costs are recorded in the proper general ledger account?	_____	_____	_____
2. Are accrued liabilities for unpaid employee compensation and benefit costs properly recorded or disclosed?	_____	_____	_____
IX. Electronic Data Processing			
A. .560 Segregation of Duties			
1. Is the EDP department independent from the accounting and operating departments for which it processes data?	_____	_____	_____
2. Does appropriate segregation of duties exist within the data processing function for (a) systems development (design and programming), (b) technical support (maintenance of systems software), and (c) operations?	_____	_____	_____
3. In smaller and minicomputer installations with limited opportunities for segregation of duties, do procedures exist for user departments to--			
a. utilize batch or other input controls?	_____	_____	_____
b. control master file changes?	_____	_____	_____
c. balance master files between processing cycles?	_____	_____	_____
4. Do the personnel policies of the EDP function include such procedures as reference checks, security statements, rotation of duties, and			

Yes No N/A

terminated employee security measures that enhance segregation of duties and otherwise improve controls?

B. .570 User Controls - Procedural Controls

1. Do controls exist over preparation and approval of input transactions outside the EDP department and is the department prohibited from initiating transactions?

2. Does the user exercise control procedures over input to ensure that all approved input is processed correctly through the system and only once?

3. Do controls exist over entry of data in on-line systems to restrict access to terminals and data entry to authorized employees?

4. Do on-line systems controls exist that prevent documents from being keyed into the system more than once and that permit tracing from computer output to data source and vice versa?

5. Do controls exist over changes to master files, such as requiring preparation of specific forms indicating data to be changed, approval by a supervisor in the user department, and verifying against a printout of changes?

6. Do user controls exist over rejected transactions through the use of a computerized suspense file of rejected transactions or an auxiliary manual system?

7. Does user department management reconcile output totals to input totals for all data submitted, reconcile the overall file balances, and review outputs for reasonableness?

C. .571 Application Controls - Procedural Controls

1. Do procedures exist within the data processing control function that provide that data is properly controlled between the user and the EDP department?

2. Do controls exist over data entry, for example,

Yes No N/A

that include adequate supervision, up-to-date instructions, key verification of important fields, and self-checking digits?

3. Do program controls exist over entry of data into on-line systems?

4. Is input data edited and validated?

5. Do data processing controls exist over rejected transactions?

6. Do controls exist for balancing transaction and master files?

7. Do procedures exist within the data processing control function concerning review and distribution of output?

D. .572 General Controls - Procedural Controls

1. Do controls exist over changes to system software?

2. Do controls exist over use and retention of tape and disk files, including provisions for retention of adequate records to provide backup capabilities?

3. Do controls exist that limit access to data processing equipment, tapes, disks, system documentation, and application program documentation to authorized employees?

4. Is a job accounting system (or console logs) used to ensure that scheduled programs are processed and proper procedures followed and that supervisory personnel know that only required programs have been processed?

5. Are EDP department employees supervised for all shifts?

6. Are procedures to be followed by computer operators documented?

7. Is the data processing system documented such that the organization could continue to operate if important data processing employees leave?

	Yes	No	N/A
8. Do procedures exist to protect against a loss of important files, programs, or equipment?	_____	_____	_____
9. Are equipment, programs, and data files covered by insurance?	_____	_____	_____
10. Are there user-approved written specifications for new systems and modifications to existing application systems?	_____	_____	_____
11. Are there written procedures to test and implement new systems and modifications to existing application systems?	_____	_____	_____
X. Financial Reporting			
A. .600 Segregation of Duties			
1. Is the final review and approval of financial reports segregated from the responsibility for preparation of the reports?	_____	_____	_____
2. Are responsibilities for maintaining the general ledger segregated from those for maintaining subsidiary ledgers?	_____	_____	_____
3. Are the responsibilities for maintaining the general ledger and custody of assets segregated?	_____	_____	_____
4. Are the preparation and approval functions for journal entries segregated?	_____	_____	_____
5. Are the principal accounting, treasury, and custody functions segregated?	_____	_____	_____
6. If EDP is used, is the principle of segregation of duties maintained within processing activities?	_____	_____	_____
B. .610 General Ledger - Procedural Controls			
1. Is there a formal plan of organization for the unit of government under which reporting responsibilities are clearly defined and reasonably aligned?	_____	_____	_____
2. Is the principal accounting officer over accounting records and accounting employees supervised at all locations?	_____	_____	_____

	Yes	No	N/A
3. Is there general ledger control over all assets and transactions of all departments of the organization?	_____	_____	_____
4. Are employees in positions of trust bonded in amounts required by statutes or organization policy?	_____	_____	_____
5. Are written accounting, policy, and procedural manuals distributed to appropriate personnel?	_____	_____	_____
6. Are the accounting, policy, and procedural manuals updated as necessary?	_____	_____	_____
7. Do procedures exist to ensure that only authorized persons can later on establish a new accounting principle, policy, or procedure to be used by the organization?	_____	_____	_____
8. Does security for accounting records exist?	_____	_____	_____
9. Does a formal policy regarding conflicts of interest exist?	_____	_____	_____
10. Are written representations required from appropriate personnel as to compliance with accounting policies and procedures and ethics policies?	_____	_____	_____
11. Are loans to officials or employees prohibited or closely controlled?	_____	_____	_____
12. Are the adequacy and effectiveness of the internal accounting controls related to the organization's transaction systems (procurement, revenues and receivables, etc.) periodically evaluated?	_____	_____	_____
13. Are measures implemented to correct weaknesses?	_____	_____	_____
C. .620 Closing - Procedural Controls			
1. Are procedures and policies for closing the accounts for a reporting period sufficient to ensure that accounts are closed, adjusted, and reviewed on a timely basis?	_____	_____	_____
2. Do procedures exist to ensure that all accounting systems have included all transactions applicable to the reporting period?	_____	_____	_____

	Yes	No	N/A
3. Are valuation reserves or other account balances based on estimates reviewed and approved?	_____	_____	_____
4. Are all journal entries reviewed, approved, and supported by adequate descriptions or documentation?	_____	_____	_____
5. Do controls exist that ensure that only authorized individuals can initiate entries?	_____	_____	_____
D. .630 Combining - Procedural Controls			
1. Do procedures exist to ensure the orderly and effective accumulation of financial data?	_____	_____	_____
2. Do procedures exist for the orderly processing of financial data received from departments and other accounting units?	_____	_____	_____
3. Do procedures exist to permit the recording and review of special entries generated in the combining process?	_____	_____	_____
E. .640 Preparation, Review and Approval - Procedural Controls			
1. Do procedures exist to ensure that financial reports are supported by either underlying account records or other documentation?	_____	_____	_____
2. Do procedures exist providing reasonable assurances that all data required to be included in legal as well as public reports are properly disclosed?	_____	_____	_____
3. Do procedures exist to ensure that financial reports are prepared on a consistent basis?	_____	_____	_____
4. Are financial reports reviewed and approved at appropriate levels of management and, if appropriate, by the legislature before public release?	_____	_____	_____
5. Are there procedures to ensure that all requirements for filing of financial reports are met (for example, senior levels of government, bondholders, and the public)?	_____	_____	_____

AAM Section 5600

Illustrative Audit Program for State and Local Governmental Units

	Done By	Date	W/P Ref.
I. Engagement Planning and Administration			
A. Engagement Planning Procedures			
1. Determine that a signed engagement letter covering the current engagement is on file. Read letter for any special provisions.	_____	_____	_____
2. Determine that decision to accept engagement (in case of new client) or to retain client has been documented. (See AAM section 11,300.09.)	_____	_____	_____
3. Review those suggested reference materials shown in Appendix A which are relevant to the scope of the engagement.	_____	_____	_____
4. If this is a new client, ascertain that required communications with predecessor auditors, if any, have been made.	_____	_____	_____
5. Ascertain that all applicable independence rules, particularly those related to performance of accounting services, have been complied with.	_____	_____	_____
6. Obtain an initial, overall understanding of the client's operations:			
a. Determine type of local government (home rule status, etc.).	_____	_____	_____
b. Review local laws which pertain to the basic plan or organization and related responsibilities of executive, legislative, and administrative personnel.	_____	_____	_____
c. Determine if the local government is required to have a single audit. Contact the entity's cognizant audit agency to determine if the agency has any concerns or special instructions which need to be taken into consideration in planning and conducting the audit.	_____	_____	_____

	Done By	Date	W/P Ref.
d. List local government officials and members of governing body by name and title.	_____	_____	_____
e. Determine types of reports that need to be issued.	_____	_____	_____
f. Determine which governmental units are to be included in the financial statements as a possible component unit of the reporting entity.	_____	_____	_____
g. Determine the extent of involvement of other audit firms and inquire about their independence and professional reputation. Clearly define the responsibilities of each audit firm and which firm is the primary auditor.	_____	_____	_____
h. Review prior year's report and financial statements.	_____	_____	_____
i. Review prior year's working papers and permanent file, particularly the following:			
(1). Internal control questionnaires, memoranda, and related summary evaluation notes.	_____	_____	_____
(2). Engagement time summary records.	_____	_____	_____
(3). Adjusting and reclassification entries.	_____	_____	_____
(4). Audit partner memoranda regarding consultations on accounting and auditing matters.	_____	_____	_____
(5). Suggestions for next audit.	_____	_____	_____
j. Review most recent management letter.	_____	_____	_____
k. Discuss engagement with firm personnel previously assigned and/or responsible for nonaudit services.	_____	_____	_____
l. Review any interim financial statements or reports for current year or, if such			

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statements or reports have not been prepared, scan general ledger (or trial balance), to determine whether amounts and relationships appear reasonable in comparison to prior year.

_____	_____	_____
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- m. Review client's correspondence file.
- n. Obtain copies or abstract minutes of meetings of the governing body and relevant committees.
- o. Obtain copy (including all amendments) of client's current budget. (For all funds legally budgeted.)
- p. Obtain current property tax calendar.
- q. Obtain a list of all related parties.
- r. Make appropriate notations regarding matters to be discussed with audit partner, manager or in-charge auditor.

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7. Discuss the following (and other appropriate) matters with appropriate client personnel (including the audit committee of the governing body, if applicable):

- a. Changes in operations, including pending/planned changes.
- b. Changes in accounting methods or accounting principles applied.
- c. Changes in key personnel (accounting and data processing).
- d. Significant accounting or reporting problems.
- e. Principal findings of internal auditor, if applicable.
- f. Changes in data processing methods or equipment.

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	Done By	Date	W/P Ref.
g. Significant legal matters and contingencies.	_____	_____	_____
h. Disposition of prior year's management letter points.	_____	_____	_____
i. Extent of client assistance to be provided.	_____	_____	_____
j. Timing of preliminary audit work, inventory observation, confirmation procedures, final audit work, etc.	_____	_____	_____
k. Due dates for delivery of report(s).	_____	_____	_____
l. Closing information to be prepared (check applicable items):			
(1). Closing Journal Entries	_____	_____	_____
(2). Post Closing Trial Balance	_____	_____	_____
(3). Audit Adjusting Entries	_____	_____	_____
(4). Reversing Journal Entries	_____	_____	_____
m. Other Matters (prepare list and attach to program).	_____	_____	_____
n. Make appropriate notations regarding matters to be discussed with audit partner, manager or in-charge auditor.	_____	_____	_____
8. Identify material accounting estimates which should be made and recorded by the client.	_____	_____	_____
9. If client has internal audit staff, read reports and related correspondence, and consider possible effect of internal audit work and findings on scope of the examination.	_____	_____	_____
10. Contact oversight agency when applicable, to obtain its perspective on key compliance issues.	_____	_____	_____
11. Obtain an understanding of the effect of laws, regulations, and ordinances having a direct and material effect on the financial statements:			

Done W/P
By Date Ref.

- a. Obtain from management a list of such laws and regulations and attach to audit program. _____
 - b. Assess the accuracy and completeness of the list provided by management by considering knowledge obtained from prior audits, discussions with client staff and legal counsel, the review of agreements, the review of minutes, inquiries of audit oversight organizations and grantors, and the review of available information obtained from (state) societies of CPAs or associations of governments. Document the assessment for inclusion in the working papers. _____
12. Obtain an understanding of the client's internal control structure, including those aspects relating to compliance with the laws and regulations identified above, to assist in the planning of the determination of the nature, timing, and extent of tests to be performed:
- a. Complete questionnaires and prepare flowcharts and/or narrative descriptions relating to the client's policies, procedures, and records relevant to audit planning. Consideration should be given to all three elements of the internal control structure to obtain sufficient knowledge of the design of relevant policies and procedures to determine whether those policies and procedures have been placed in operation. _____
 - b. Assess control risk for financial statement assertions, including those relating to compliance with laws and regulations that have a direct and material effect on the financial statements. _____
- (1). For each assertion for which control risk is assessed at the maximum, record that conclusion in the working papers. _____

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	By	Date	Ref.
(2). For each assertion for which a lowering of control risk below the maximum is deemed both feasible and efficient:			
(a). Identify the key policies and procedures which will be subjected to audit tests.	_____	_____	_____
(b). Conduct audit tests to determine how the policies or procedures were applied, the consistency with which they were applied, and by whom they were applied. Working papers relating to the tests should describe the policy or procedure tested, test objectives, sample selection, test criteria, test results, and conclusions concerning the effectiveness of policies or procedures.	_____	_____	_____
(c). Document conclusions in the working papers concerning the assessed level of control risk for the assertion.	_____	_____	_____
13. Perform appropriate analytical procedures and determine effect on the nature, timing, and extent of other audit procedures. For selected account balances and classes of transactions, compare recorded amounts to:			
a. Prior year amounts, adjusted for known changes from the prior year to the current year;	_____	_____	_____
b. Current year amounts to budgeted amounts and/or forecasts;	_____	_____	_____
c. Other financial/nonfinancial information for which plausible relationships exist; and	_____	_____	_____
d. Prepare notes concerning unusual or unexpected transactions, events, amounts, ratios or trends that might have planning ramifications. Also, explain the dispositions made of such matters.	_____	_____	_____
14. Use the understanding obtained of the internal control structure and consider factors			

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influencing audit risk to evaluate the risk of material misstatements arising from errors, irregularities, and/or illegal acts, including the risk of management misrepresentations. Document conclusions in the working papers and their effects on engagement staffing, extent of supervision, and overall strategy for the conduct and scope of audit.

- | | | |
|---|---|---|
| <p>15. Use the information obtained or developed concerning materiality levels, the internal control structure and the related assessments of control risk, the results of analytical procedures, and the evaluation of other factors impacting on audit risk to plan:</p> <p style="margin-left: 20px;">a. The nature, timing, and extent of substantive tests;</p> <p style="margin-left: 20px;">b. Staffing requirements and related levels of supervision;</p> <p style="margin-left: 20px;">c. The overall strategy for the conduct and scope of audit; and</p> <p style="margin-left: 20px;">d. Revisions to the audit program.</p> | <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> | <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> |
| <p>16. Estimate time required to complete audit procedures and prepare appropriate planning documents (engagement time summary, scheduling and staffing summary, etc.).</p> | <p>_____</p> | <p>_____</p> |
| <p>17. Hold a planning conference among the audit partner, manager, or in-charge auditor (and firm specialists, if deemed necessary), and:</p> <p style="margin-left: 20px;">a. Discuss information obtained and results of procedures performed to date based on completion of previous steps.</p> <p style="margin-left: 20px;">b. Discuss any special audit risks or client conditions (see Appendix B) deemed to exist.</p> <p style="margin-left: 20px;">c. Ascertain that recent accounting/auditing pronouncements affecting the client have been considered.</p> | <p>_____</p> <p>_____</p> <p>_____</p> | <p>_____</p> <p>_____</p> <p>_____</p> |

	Done By	Date	W/P Ref.
d. Develop plans to solve known or anticipated accounting/auditing problems.	_____	_____	_____
e. Determine tentative minimum amount for judging materiality of possible past adjustments.	_____	_____	_____
f. Discuss types/general formats of reports to be rendered and planned delivery dates.	_____	_____	_____
g. Discuss possible rotation of certain auditing procedures as well as areas of audit emphasis.	_____	_____	_____
h. Discuss methods to maximize the amount of interim work to be done.	_____	_____	_____
i. Obtain and record audit partner's approval for:			
(1). Technique(s) used to document the internal control structure.	_____	_____	_____
(2). Approach used to audit computer generated records.	_____	_____	_____
(3). Use of statistical sampling methods.	_____	_____	_____
(4). Assessment of audit risk and materiality.	_____	_____	_____
(5). Audit programs.	_____	_____	_____
(6). Time budget and staffing of engagement.	_____	_____	_____
(7). Prepare a memorandum summarizing the results of the planning conference, particularly all decisions reached.	_____	_____	_____
18. Prepare listing of schedules/analyses to be prepared by client (and working paper set-ups, if considered necessary) and deliver to client.	_____	_____	_____
B. Engagement Administration and Supervision Procedures			

	Done By	Date	W/P Ref.
1. Communicate results of planning conference with client and firm personnel to staff persons assigned to the engagement, particularly matters relating to portions of engagement assigned to them.	_____	_____	_____
2. Schedule timing of work to be done on priority basis, assigning top priorities to more significant or problem areas of engagement.	_____	_____	_____
3. Obtain all documents and information required for the permanent file and remove superseded materials for filing in a closed file.	_____	_____	_____
4. Accumulate all points to be included in management letter (or to be communicated verbally to the client).	_____	_____	_____
5. Ascertain that all steps in all audit programs have been considered and/or completed, and that any modifications to the programs resulting from changed conditions have been properly approved.	_____	_____	_____
6. Review financial statements and notes and determine:			
a. The adequacy of evidence gathered in response to unusual or unexpected balances identified during audit planning or audit performance;	_____	_____	_____
b. The existence of unusual or unexpected balances or relationships which have not been evaluated; and	_____	_____	_____
c. Whether additional evidential matter is necessary to explain unexpected differences between reported amounts and expected amounts or relationships.	_____	_____	_____
7. Ascertain that working papers include appropriate memoranda regarding consultations with firm specialists, outside consultations and resolution of differences of opinion, if any, among firm personnel regarding			

	Done By	Date	W/P Ref.
accounting/auditing matters.	_____	_____	_____
8. Determine that differences between the accounting records and the evidential matter gathered during the application of audit procedures have been evaluated as to both their quantitative and qualitative effects.	_____	_____	_____
9. In the event that illegal acts were noted, determine that:			
a. An understanding of the nature of the acts was obtained;	_____	_____	_____
b. The circumstances in which it occurred were evaluated;	_____	_____	_____
c. The effect of the illegal act on the financial statements was considered; and	_____	_____	_____
d. Such other auditing procedures as indicated necessary in the circumstances were performed.	_____	_____	_____
10. Determine that required communications, proper as to form and content, have been made as necessary to disclose irregularities and/or illegal acts noted during the course of the audit.	_____	_____	_____
11. Determine whether the audit work performed indicates that a substantial doubt exists with regard to the local government's ability to continue as a going concern for a reasonable period of time. If a substantial doubt exists:			
a. Obtain information about management's plans, assess the expected effectiveness of the plans, and gather evidence to evaluate pertinent provisions of those plans and to support audit conclusions concerning the local government's ability or inability to continue as a going concern;	_____	_____	_____
b. Evaluate the adequacy of the related financial statement disclosures; and	_____	_____	_____

	Done By	Date	W/P Ref.
c. Consider the effects on the audit report.	_____	_____	_____
12. Determine that the following matters have been communicated to those who have responsibility for oversight of the financial reporting process (for example, the audit committee) and include documentation to that effect in the working papers:			
a. Management's responsibility for the internal control structure and the financial statements;	_____	_____	_____
b. Audit conducted in accordance with GAAS or GAGAS provides reasonable, rather than absolute, assurance;	_____	_____	_____
c. Significant accounting policy implementation or change;	_____	_____	_____
d. Significant unusual transactions and the methods used to account for them;	_____	_____	_____
e. Significant accounting policies relating to controversial or emerging areas for which there is no authoritative guidance or consensus;	_____	_____	_____
f. Processes used by management to develop sensitive accounting estimates and the basis for audit conclusions concerning the reasonableness of those estimates;	_____	_____	_____
g. Significant audit adjustments;	_____	_____	_____
h. The auditor's responsibility for other information in documents containing audited financial statements;	_____	_____	_____
i. Disagreements with management;	_____	_____	_____
j. Consultations by management with other accountants;	_____	_____	_____
k. Major issues discussed with management prior to retention;	_____	_____	_____

	Done By	Date	W/P Ref.
l. Difficulties encountered in performing the audit;	_____	_____	_____
m. Irregularities and/or illegal acts;	_____	_____	_____
n. Significant deficiencies in the design or operation of the internal control structure ("reportable conditions"); and,	_____	_____	_____
o. Other matters relevant to oversight responsibilities.	_____	_____	_____
13. Ascertain that all working papers have been headed, indexed, cross-referenced, initialed, and dated. If they were initially prepared by client, they should be marked "Prepared by Client" or "PBC."	_____	_____	_____
14. Accumulate all pending items in one listing, and dispose of all other follow-up or "TO DO" sheets and any other similar notations in the files.	_____	_____	_____
15. Ascertain that all time has been posted to the daily time control records, and record totals on the engagement time summary. Write explanations for any significant variations between budgeted and actual time.	_____	_____	_____

This audit program section has been completed in accordance with firm policy.

Date

Done by

Reviewed by

II. Cash

Financial Statement Assertions

1. Existence or occurrence.
2. Completeness.
3. Rights and obligations.
4. Valuation or allocation.
5. Presentation and disclosure.

A. Evaluation of Internal Control Structure

1. Review the documentation and conclusions resulting from the steps taken to understand and test the internal control structure policies, procedures, and records relevant to planning the audit of cash. _____

2. Consider the understanding obtained of the internal control structure, the assessed level of control risk (together with assessment of inherent risk), and the acceptable level of detection risk to determine the nature, timing, and extent of substantive tests. _____

3. Revise the audit program, as appropriate, following the consideration of the internal control structure and related audit risks. _____

B. Analytical Procedures

1. Review the planning procedures applicable to analytical procedures performed on cash and consider the result of the procedures in determining the nature, timing, and extent of other audit procedures. _____

2. Revise the audit program, as appropriate, following consideration of the results of the analytical procedures. _____

3. If analytical procedures are used for substantive testing purposes, document the basis _____

Done By	Date	W/P Ref.
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for the expected relationship, the results of the comparison of the recorded amount to the expectation, and the results of the evaluation of unexpected differences between the recorded amount and the expectation.

_____	_____	_____
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C. Other Auditing Procedures

1. Where material, count cash on hand, reconcile balances on hand to required amounts and obtain signature of custodian acknowledging return of funds intact.

_____	_____	_____
-------	-------	-------

2. Confirm year-end balances by direct correspondence with the banks for all bank accounts that were open during any part of the year, and obtain list of authorized check signers for permanent file.

_____	_____	_____
-------	-------	-------

3. Obtain copies of client's bank reconciliations at the end of the year.

_____	_____	_____
-------	-------	-------

4. Substantiate reconciling items as follows:

a. Whenever audit work is performed prior to the client receiving the bank statement, or whenever otherwise deemed appropriate, obtain directly from the bank, bank cutoff statements and related supporting documents.

_____	_____	_____
-------	-------	-------

b. Trace deposits in transit to subsequent bank statements and to cash receipts records. Examine the receipted deposit slip to determine whether the funds were deposited on, or prior to, the balance sheet date and whether there was any extraordinary delay between the date received per books and date deposited per bank.

_____	_____	_____
-------	-------	-------

c. Test checks dated on or before balance sheet date but clearing after the balance sheet date to determine that they appear on the list of outstanding checks.

_____	_____	_____
-------	-------	-------

d. Compare checks listed on the list of outstanding checks in excess of \$ _____,

Done		W/P
By	Date	Ref.

including both those that have been subsequently paid and those that have not been paid, to the cash disbursements records as to amount.

e. Investigate the date of issuance for any large checks not cleared in the month following year-end. For those checks actually issued after the balance sheet date, record audit adjustments.

f. Trace any significant transfers between banks or accounts of a bank (including investment accounts) near year-end to verify both transactions have been recorded in the same accounting period.

g. Investigate any remaining significant reconciling items not covered above.

5. Prepare proof(s) of cash for appropriate time periods. Substantiate any deposits in transit as outlined in d(2) for all periods in which a proof of cash was prepared.

6. Consider reversing old outstanding checks. (Investigate those over \$_____.)

7. Review receipts, etc., issued shortly before and shortly after year-end to determine that all cash collected has been recorded in the proper period.

8. Obtain copies of all collateral agreements the local government has with depositories and consider confirming the collateral with the bank or agency holding the collateral securities. Determine if the collateral complies with legal requirements and if the market value is adequate to secure the funds on deposit.

9. Test collateralization throughout the year to determine its adequacy. Note instances in which the local government's uncollateralized deposits during the period significantly exceeded that category of credit risk at balance sheet date.

Done	W/P
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10. Determine if deposits at any time during the year materially exceeded amounts on deposit as of the end of the year. Determine reasons for significant fluctuations (check here if reason is due to normal fluctuating cash flow requirements _____).

11. Identify which individual funds are required by law or other contractual agreement to maintain separate bank accounts and ascertain that separate bank accounts are maintained and note any withdrawal restrictions or other commitments which may exist.

12. Review client's classifications as to credit risk for note disclosure.

13. Make appropriate notations regarding matters to be discussed with audit partner, manager, and in-charge auditor.

D. Overall Conclusions

1. In our opinion, we have obtained sufficient and competent evidential matter to provide reasonable assurance that:

a. Cash balances as stated in balance sheet properly represent cash and cash items on hand, in banks or in transit;

b. Cash is properly classified in the financial statements and adequate disclosure (by segregation or otherwise) is made of restricted or committed funds and of cash not subject to immediate withdrawal and accounts with credit balances;

c. Deposits are properly classified as to credit risk as required by GASB Statement No. 3; and,

d. Applicable accounting principles have been consistently applied;

Except as follows:

Done By Date W/P Ref.

This audit program section has been completed in accordance with firm policy.

Date

Done by _____

Reviewed by _____

Obj.

Done
By Date W/P
Ref.

III. Investments

Financial Statement Assertions

1. Existence or occurrence.
2. Completeness.
3. Rights and obligations.
4. Valuation or allocation.
5. Presentation and disclosure.

Objectives:

- A. Investment exist - To determine that the physical evidence of ownership of investments reported in the financial statements (stock certificates, bonds, notes, etc.) are on hand or held in custody or safekeeping by others for account of the client (Assertions 1, 2, and 3)
- B. GAAP comformity - To determine that the basis on which the investments are stated is in accordance with generally accepted accounting principles, consistently applied (Assertions 4 and 5)
- C. Income recognition - To determine that income from investments has been accounted for properly (Assertions 4 and 5)
- D. Proper classification - To determine that investments and the related income are properly classified and described in the financial statements (Assertions 4 and 5)
- E. Properly disclosed - To determine that adequate disclosure has been made of the pledging of any investments and credit risks are properly disclosed as required by GASB Statement No. 3 (Assertions 2, 3, and 5)
- F. In accordance with laws - To determine that investments are made in accordance with

Obj.

Done W/P
By Date Ref.

state and local laws and regulations
(Assertions 3 and 5)

- G. GAAP consistency - To determine that applicable accounting principles have been consistently applied (Assertions 4 and 5)

NOTE: The letters preceding each of the above audit objectives serve as identification codes. These codes are presented in the objective column when the audit step accomplishes the specific objective. If the letter appears in brackets, i.e., [A], [B], etc., the audit procedure only secondarily accomplishes the objective.

Procedures:

A. Evaluation of Internal Control Structure

- 1. Review the documentation and conclusion resulting from the steps taken to understand and test the internal control structure policies, procedures, and records relevant to planning the audit of investments. _____
- 2. Consider the understanding obtained of the internal control structure, the assessed level of control risk (together with the assessment of inherent risk), and the acceptable level of detection risk to determine the nature, timing, and extent of substantive tests. _____
- 3. Revise the audit program, as appropriate, following the consideration of the internal control structure and related audit risks. _____

B. Analytical Procedures

- 1. Review the planning procedures applicable to analytical procedures performed on investments and consider the result of the

Obj.		Done By	Date	W/P Ref.
	procedures in determining the nature, timing, and extent of other audit procedures.	_____	_____	_____
	2. Revise the audit program, as appropriate, following consideration of the results of the analytical procedures.	_____	_____	_____
	3. If analytical procedures are used for substantive testing purposes, document the basis for the expected relationship, the results of the comparison of the recorded amount to the expectation, and the results of the evaluation of unexpected differences between the recorded amount and the expectation.	_____	_____	_____
	C. Other Auditing Procedures			
[F]	1. Obtain an understanding of state and local investment laws and regulations.	_____	_____	_____
[A] [D]	2. Obtain a list of investments owned showing location and identify ownership by fund.	_____	_____	_____
A	3. Confirm or examine each security and compare with the list. Determine that the beginning and ending serial numbers are the same for all securities where there is no activity during the year.	_____	_____	_____
[A]	4. Mail confirmations on securities held by others.	_____	_____	_____
A [D]	5. Verify all changes between date of physical inspection and date of balance sheet.	_____	_____	_____
C [D]	6. Test accrued interest to balance sheet date.	_____	_____	_____
B C	7. Test amortization of premiums (or discount) paid, where applicable.	_____	_____	_____
C [D]	8. Verify collections of interest.	_____	_____	_____

Obj.		Done By	Date	W/P Ref.
D [G]	9. Obtain market values at balance sheet date and value of collateral and investigate significant differences from recorded values to determine if any write-downs are necessary.	_____	_____	_____
F	10. Test investment transactions during the year to determine that investments are in accordance with statutory requirements (if applicable).	_____	_____	_____
C [D]	11. Test interest revenue accounts in the various funds and reconcile interest income to the investment transactions.	_____	_____	_____
[C] [D]	12. Select investment transactions, test the income thereon and trace to amounts recorded in the various funds.	_____	_____	_____
C D	13. Verify that all investments and related income were applied to the proper fund of ownership.	_____	_____	_____
E [G]	14. Review GASB Statement No. 3 disclosures:			
	a. Any significant violations of state statutes, local charters, resolutions or ordinances, grant regulation, or internal policies in the investment of local funds.	_____	_____	_____
	b. Determine whether basis of valuation (e.g., cost, market value, or lower of cost or market value) is in accordance with GAAP, and that appropriate allowances and/or write-downs have been provided. (Especially treasury bills.)	_____	_____	_____
	c. Any commitments at the balance sheet date to resell securities under yield maintenance repurchase agreements. Yes _____ No _____	_____	_____	_____
	d. Determine types of investments made during the year but not owned as of the balance sheet date.			

Obj.		Done By	Date	W/P Ref.
	For example: _____ State Investment Pool _____ Repurchase Agreement _____ Federal Securities _____ Other	_____	_____	_____
	e. Any reverse repurchase agreements used during the year. If yes, see GASB Statement No. 3. Yes _____ No _____	_____	_____	_____
E	15. Review client's classification of investments as to credit risk for note disclosure.	_____	_____	_____
E [G]	16. Review client's disclosures under GASB Statement No. 3 for overall adequacy.	_____	_____	_____
	17. Make appropriate notations regarding matters to be discussed with audit partner, manager, and in-charge auditor.	_____	_____	_____
F	18. Review minutes of governing body or investment committee for approval of transactions.	_____	_____	_____
F	19. Review for unusual transactions (high risk or churning).	_____	_____	_____
F [G]	20. Review management's intended holding period and liquidity requirements in the case of a decline in market value.	_____	_____	_____
[E] F [G]	21. Concerning repurchase agreements: a. Review terms of outstanding repurchase commitments. Terms should include the types and coupon rate of collateral and the repurchase date and prices. b. Consider reputation and reliability of collateral holders. Those holders should be bank or trust companies that are independent of the broker-dealer arranging the transaction and that	_____	_____	_____

Obj.	Done By	Date	W/P Ref.
specialize in providing safekeeping services.	_____	_____	_____
c. Review the reputation and financial position of broker-dealers or other parties to the transaction.	_____	_____	_____
d. Consider the financial credibility and legal responsibility of any company or agency that is insuring completion of the transaction.	_____	_____	_____
e. Review broker's advices and other documentation regarding the completion of the repurchase transaction during the period following the balance sheet date.	_____	_____	_____
f. Review and evaluate internal audit procedures covering repurchase agreement activities.	_____	_____	_____
22. If the client is a buyer/lender (and surrendered possession of the securities):			
a. Examine securities held or request confirmation of securities held in safekeeping and determine who holds legal title to the securities.	_____	_____	_____
b. If custodian is of uncertain or questionable reputation and reliability, obtain third party review or perform procedures concerning controls over the safekeeping of the security of the custodian.	_____	_____	_____
c. Test collateral value of securities.	_____	_____	_____
D. Overall Conclusions			
1. In our opinion, we have obtained sufficient and competent evidential matter to provide reasonable assurance that:			
a. The physical evidence of ownership of investments reported in the financial			

Obj.

Done By Date W/P Ref.

statements (stock certificates, bonds, notes, etc.) are on hand or held in custody or safekeeping by others for account of the client;

b. The basis on which the investments are stated is in accordance with generally accepted accounting principles, consistently applied;

c. Income from investments has been accounted for properly;

d. Investments and the related income are properly classified and described in the financial statements:

e. Adequate disclosure has been made of the pledging or hypothecation of any investments and credit risks are properly disclosed as required by GASB Statement No. 3;

f. Investments are made in accordance with state and local laws and regulations; and

g. Applicable accounting principles have been consistently applied;

Except as follows:

This audit program section has been completed in accordance with firm policy.

Date

Done by _____

Reviewed by _____

Obj.

Done
By Date W/P
 Ref.

IV. Revenues and Receivables

Financial Statement Assertions

1. Existence or occurrence.
2. Completeness.
3. Rights and obligations.
4. Valuation or allocation.
5. Presentation and disclosure.

Objectives:

- A. To determine that revenue accounts and related income and expense accounts include all transactions that relate to the period (Assertions 1, 2, and 5)
- B. To determine that receivables are authentic and probably collectible (Assertions 1 and 3)
- C. To determine that valuation allowances and deferred revenue are appropriate (Assertions 4 and 5)
- D. To determine that the descriptions, classifications, and related disclosures are adequate and not misleading (Assertion 5)
- E. To determine that all loss contingencies related to revenue are identified and reported or disclosed (Assertions 2, 3, and 5)
- F. To determine that applicable accounting principles have been consistently applied (Assertions 4 and 5)

NOTE: The letters preceding each of the above audit objectives serve as identification codes. These codes are presented in the objective column when the audit step accomplishes the specific

Obj.

Done W/P
By Date Ref.

objective. If the letter appears in brackets, i.e., [A], [B], etc., the audit procedure only secondarily accomplishes the objective.

Procedures:

A. Evaluation of Internal Control Structure

1. Review the documentation and conclusions resulting from the steps taken to understand and test the internal control structure policies, procedures, and records relevant to planning the audit of revenue and receivables. _____
2. Consider the understanding obtained of the internal control structure, the assessed level of control risk (together with assessment of inherent risk), and the acceptable level of detection risk to determine the nature, timing, and extent of substantive tests. _____
3. Revise the audit program, as appropriate, following the consideration of the internal control structure and related audit risks. _____

B. Analytical Procedures

1. Review the planning procedures applicable to analytical procedures performed on revenue and receivables and consider the result of the procedures in determining the nature, timing, and extent of other audit procedures. _____
2. Revise the audit program, as appropriate, following consideration of the results of the analytical procedures. _____
3. If analytical procedures are used for substantive testing purposes, document the basis for the expected relationship, the results of the comparison of the recorded

Obj.	Done By	Date	W/P Ref.
amount to the expectation, and the results of the evaluation of unexpected differences between the recorded amount and the expectation.	_____	_____	_____
C. Other Auditing Procedures - Revenue			
1. General property taxes.			
A [B]	a.	Determine that the appropriate tax was properly levied.	_____
	(1).	Determine that property assessments have been made in compliance with laws.	_____
	(2).	Determine that property tax rates are in compliance with laws.	_____
	(3).	Determine that appropriate tax status (e.g., tax-exempt, commercial) has been applied.	_____
[A] D	b.	Confirm current tax settlements and trace tax distribution into funds.	_____
[A] D	c.	Determine that tax allocations among funds are in accordance with original levy.	_____
A B D [F]	d.	Confirm amounts of special or supplemental tax distributions and trace into proper funds, relating to:	_____
	(1).	Back taxes collected.	_____
	(2).	Tax objections overruled.	_____
A C [E]	e.	Compute adjustments to allowance for uncollectibles or deferred revenue accounts.	_____
A [B]	f.	Determine that property taxes were properly authorized for nonpayment of taxes and the major receipts were properly recorded on a timely basis.	_____

Obj.		Done By	Date	W/P Ref.
D	g. Determine that taxing policies and procedures are properly disclosed in the notes to the financial statements.	_____	_____	_____
[A]	h. Determine that all properties are included in the tax roll.	_____	_____	_____
	2. Sales, income, or other taxes.			
A B	a. Review the methods used by the local government to reasonably assure that all taxes due have been remitted (for example, systems providing for the cross-referencing of returns to a data base showing prior returns, registered corporations, etc.)	_____	_____	_____
A	b. Determine that proper accruals have been made to record sales, income, or other taxes held by other governments at fiscal year end.	_____	_____	_____
A B	c. Evaluate the reasonableness of amounts estimated for income taxes receivable or refunds payable.	_____	_____	_____
A	d. Select a sample of returns and verify that the tax liability was computed in accordance with governing laws and regulations and that related payments were deposited and properly recorded in the accounting records.	_____	_____	_____
A B	e. Test year-end cutoff of recording self-assessed taxes.	_____	_____	_____
	3. Revenue from federal, state and county agencies.			
A B	a. Confirm revenue received from federal, state and county agencies directly with the appropriate agency.	_____	_____	_____
A C	b. Determine that grant revenues earned based on expenditures are properly accrued.	_____	_____	_____

Obj.		Done By	Date	W/P Ref.
	c. Review significant grant applications and related monitoring and grant reports.	_____	_____	_____
A B	d. Review minutes of legislative proceedings to identify grants received and their restrictions.	_____	_____	_____
	e. Review monitoring procedures used by management.	_____	_____	_____
	4. Licenses and permits.			
[A] [B]	a. Determine licenses and permits in effect and rates set by ordinance.	_____	_____	_____
	(1). On a test basis, trace collections from persons or businesses ordinarily required to pay fees to accounting records.	_____	_____	_____
A	b. Trace cash entries from license and permit stub books to cash receipts records on a test basis.	_____	_____	_____
A	c. Compare licenses and permit revenue by totals to previous year and explain any material variation.	_____	_____	_____
A	d. Reconcile inventories of licenses and permits to revenues where appropriate.	_____	_____	_____
A B	e. Review applications or renewal bills for proper charge, and trace collections to accounting records.	_____	_____	_____
	5. Franchise fees.			
A B	a. Review franchise ordinances and compare fees as indicated therein with amounts received.	_____	_____	_____
	6. Fines.			
A B F	a. Review client's procedures for accounting for arrest tickets and			

Obj.		Done By	Date	W/P Ref.
	determine that tickets are being properly disposed of through the collection of cash or authorized dismissal.	_____	_____	_____
A B C	b. Verify collection of fines.	_____	_____	_____
A	c. Compare fine revenue by totals to previous years and explain any material variation.	_____	_____	_____
A B	d. Determine that fines are distributed in accordance with governing regulations.	_____	_____	_____
	7. Utility or other enterprise revenues.			
[A] B	a. Examine rate schedules and authorization for charges.	_____	_____	_____
A B	b. Where charges are based on variable quantities or volume of usage, test records of usage such as meter reader reports.	_____	_____	_____
A B	c. Test computations of billings for a selected period, watching to see that authorized rates are in use, especially for local government officials and employees.	_____	_____	_____
A	d. Trace collections for a selected period into the accounts receivable subledger and cash receipts.	_____	_____	_____
A B	e. Determine reasonableness of enterprise revenues when compared to records showing the production of goods or services.	_____	_____	_____
	8. Sale of property and equipment.			
B	a. Review minutes of corporate body for authority to sell property and equipment.	_____	_____	_____
A	b. Trace sale proceeds to cash receipts records.	_____	_____	_____

Obj.		Done By	Date	W/P Ref.
A	c. Determine that major dispositions have been removed from the property and equipment records.	_____	_____	_____
A	d. Determine that proceeds are credited to the proper fund as required by law and that any receivables are properly classified.	_____	_____	_____
9. Rentals of property and equipment.				
A B	a. Examine authorizing laws and regulations, schedules, contracts, leases and other documents governing the use of public property by others.	_____	_____	_____
A [D]	b. On a test basis, compare the amounts of billings against terms of rental agreements.	_____	_____	_____
A	c. Trace collections into cash receipts for selected periods.	_____	_____	_____
10. Special assessments.				
A	a. Trace collections of assessments, interest and penalties into cash receipts for selected periods.	_____	_____	_____
A D	b. Trace the public benefit portion of all assessments into the public benefit fund or debt service fund.	_____	_____	_____
D	c. On an overall basis determine that collections are being accounted for in the proper assessment roll.	_____	_____	_____
11. Interfund transfers.				
D	a. Obtain or prepare a schedule of transfers between funds.	_____	_____	_____
D	b. Determine authorizations and amount of such transfers by review of the budget or minutes of the client's governing body.	_____	_____	_____

Obj.		Done By	Date	W/P Ref.
D [F]	c. Determine that all transfers are properly classified as operating or equity and reported accordingly in the financial statements.	_____	_____	_____
	12. Other revenues.			
A	a. Schedule any other revenue accounts of material amount and perform audit procedures determined necessary.	_____	_____	_____
A [C]	b. Review estimate of unbilled revenues and compare to subsequent billings.	_____	_____	_____
	D. Other Auditing Procedures - Receivables			
	1. Property taxes receivable.			
A B	a. Examine or obtain by confirmation the following:			
	(1). Assessed valuation for the tax levy year under review.	_____	_____	_____
	(2). Tax rates and tax extensions by fund.	_____	_____	_____
	(3). A listing by dates of property taxes distributed to the local government.	_____	_____	_____
D	b. Trace property tax levies and remittances to the various funds to determine that revenues were properly allocated to the appropriate funds in accordance with governing laws and regulations.	_____	_____	_____
A [C]	c. Where the local government records property tax remittances on the cash basis of accounting, determine at the end of the fiscal year that such revenue has been applied to the respective property tax receivable accounts, by tax levy years.	_____	_____	_____
A	d. Determine that the current tax levies, by funds, have been journalized to			

Obj.		Done By	Date	W/P Ref.
	reflect the levy as a property tax receivable, and the credit to a revenue line item.	_____	_____	_____
[A] B	e. Review the tax rates, by funds, to determine that they do not exceed statutory limits.	_____	_____	_____
[A] B	f. Review the tax extensions as computed by the county, and compare with the client's tax-levy ordinance.	_____	_____	_____
C E	g. Review the adequacy of the provision for uncollectible taxes based on prior collection experience.	_____	_____	_____
	2. Interfund accounts.			
A D	a. Obtain a schedule of all interfund and intrafund account balances.	_____	_____	_____
A	b. Determine that they are in reciprocal balance.	_____	_____	_____
B	c. Review minutes of local government and appropriate bond ordinances for authorization of interfund activity.	_____	_____	_____
A D	d. Trace interfund transactions between funds and to underlying documentation.	_____	_____	_____
A B C D	e. Review ending balances of accounts as to:			
	(1). Aging of balances.	_____	_____	_____
	(2). Reason for transactions.	_____	_____	_____
	(3). Method of liquidation anticipated.	_____	_____	_____
	(4). Proper reporting classification.	_____	_____	_____
	(5). Collectibility.	_____	_____	_____
	3. Special assessments receivable.			

Obj.		Done By	Date	W/P Ref.
A	a. Obtain a list of all assessments receivable balances and compare the total of these balances to the general ledger control accounts.	_____	_____	_____
B	b. Verify on a test basis that the calculations for the installments receivables are correct.	_____	_____	_____
A	c. Determine on a test basis that the proper amount of interest has been charged to outstanding assessment installments.	_____	_____	_____
A B	d. Consider confirmation of unpaid assessment balances directly with property owners, especially significant or old balances.	_____	_____	_____
[A] C	e. Trace the deferred public benefit portion into the long-term debt account group.	_____	_____	_____
B	f. Review all adjustments to the accounts for authority.	_____	_____	_____
B	g. Inquire as to any pending legal suits regarding bonds or vouchers.	_____	_____	_____
4. Other receivables.				
A B	a. Obtain a list of each type of receivable, such as from other governmental units or others:			
	(1). Sales taxes.	_____	_____	_____
	(2). State income taxes.	_____	_____	_____
	(3). Utility taxes.	_____	_____	_____
	(4). Court fines.	_____	_____	_____
	(5). Grants.	_____	_____	_____
	(6). Motor fuel tax.	_____	_____	_____

Obj.		Done By	Date	W/P Ref.
	(7). All other (employees, suppliers, citizens, etc.).	_____	_____	_____
B C E	b. Obtain an aged listing of accounts receivable. Test the accuracy of the listing.	_____	_____	_____
A	c. Reconcile balance with general ledger.	_____	_____	_____
A B	d. Consider confirmation by mail of individual accounts with large balances.	_____	_____	_____
A B C E	e. Obtain or list subsequent collections of past due items to date of examination.	_____	_____	_____
B E	f. Review uncollectible accounts written off for authority and propriety.	_____	_____	_____
B E	g. Review uncollectibility of accounts with responsible personnel and determine proper allowance is established for possible uncollectible accounts.	_____	_____	_____
B E	h. Review all large credits issued during the year.	_____	_____	_____
A	i. Cross check between the receivable account and the related revenue account.	_____	_____	_____
	E. Other Auditing Procedures - Cash Receipts			
A	1. Foot and cross-foot cash journal for a selected period and trace totals to ledger accounts.	_____	_____	_____
A	2. See that cash receipts are deposited intact and timely up to the date the audit is made, or for a selected sample thereof, that is, that each day's deposits is equal to the previous day's receipts.	_____	_____	_____
	F. Overall Conclusions			
	1. In our opinion, we have obtained sufficient and competent evidential matter to provide reasonable assurance that:			

Obj.		Done By	Date	W/P Ref.
a.	Revenue accounts and related income and expense accounts include all transactions that relate to the period;	_____	_____	_____
b.	Receivables are authentic, properly classified, and probably collectible;	_____	_____	_____
c.	Judgments on which valuations, allowances and deferred revenue are based are arrived at rationally and responsibly;	_____	_____	_____
d.	Descriptions, classifications and related disclosures are adequate and not misleading;	_____	_____	_____
e.	All loss contingencies related to the revenue cycle are identified and recorded or disclosed; and,	_____	_____	_____
f.	Applicable accounting principles have been consistently applied.	_____	_____	_____

This audit program section has been completed in accordance with firm policy.

Date

Done by

Reviewed by

Obj.

Done
By Date W/P
Ref.

V. Expenditures, Expenses, and Payables

Financial Statement Assertions

1. Existence or occurrence.
2. Completeness.
3. Rights and obligations.
4. Valuation or allocation.
5. Presentation and disclosure.

Objectives:

- A. Expenditure/expense accounts include all costs and expenses applicable to the period and all losses and estimated future expenses that should be reflected in the period and, that classification is consistent with the accounting system and generally accepted accounting principles (Assertions 1, 2, 4, 5)
- B. Amounts payable are properly authorized, represent the correct amounts of currently payable items and reflect all outstanding obligations (Assertions 2, 3, 5)
- C. Prepaid and accrued accounts are properly stated (Assertion 4)
- D. Account descriptions, classifications and related disclosures are adequate and not misleading (Assertion 5)
- E. All loss contingencies are identified and recorded or disclosed (Assertion 2, 3, 5)
- F. Legal requirements relating to purchasing, payrolls, and disbursements have been complied with (Assertion 3)

NOTE: The letters preceding each of the above audit objectives serve as identification codes. These codes are

Obj.

Done
By Date W/P
 Ref.

presented in the objective column when the audit step accomplishes the specific objective. If the letter appears in brackets, i.e. [A], [B], etc., the audit procedure only secondarily accomplishes the objective.

Procedures:

A. Evaluation Of Internal Control Structure

1. Review the documentation and conclusions resulting from the steps taken to understand and test the internal control structure policies, procedures, and records relevant to planning the audit of expenditures. _____
2. Consider the understanding obtained of the internal control structure, the assessed level of control risk (together with assessment of inherent risk), and the acceptable level of detection risk to determine the nature, timing, and extent of substantive tests. _____
3. Revise the audit program, as appropriate, following the consideration of the internal control structure and related audit risks. _____

B. Analytical Procedures

1. Review the planning procedures applicable to analytical procedures performed on expenditures of cash and consider the result of the procedures in determining the nature, timing, and extent of other audit procedures. _____
2. Revise the audit program, as appropriate, following consideration of the results of the analytical procedures. _____
3. If analytical procedures are used for substantive testing purposes, document the

Obj.	Done By	Date	W/P Ref.
basis for the expected relationship, the results of the comparison of the recorded amount to the expectation, and the results of the evaluation of unexpected differences between the recorded amount and the expectation.	_____	_____	_____
C. Other Auditing Procedures - Expenditures/Expenses			
1. General - For selected expenditures/expenses (excluding payroll expenditures), perform the following procedures:			
A [B] [C] F a. Examine supporting documents and compare to disbursement records, noting:	_____	_____	_____
(1). authorization for disbursement and approval of supporting document.	_____	_____	_____
(2). data supporting invoice such as purchase order and receiving report.	_____	_____	_____
(3). evidence of check of clerical accuracy.	_____	_____	_____
(4). cancellation of document.	_____	_____	_____
(5). duplicate payment of billing whole or in part.	_____	_____	_____
(6). that payment of bill when entered on disbursement or purchase record was charged to proper expenditure and appropriation account or reserve for encumbrances.	_____	_____	_____
(7). that appropriation balance was sufficient to receive charge for expenditures.	_____	_____	_____
(8). authorized check signer.	_____	_____	_____
(9). that discounts were taken when offered.	_____	_____	_____

Obj.		Done By	Date	W/P Ref.
	(10). that purchase was recorded in the period received.	_____	_____	_____
	2. Disbursements.			
[A]	a. Observe control over blank checks.	_____	_____	_____
[A]	b. Review disbursements journal for period under audit for unusual items.	_____	_____	_____
	3. Appropriations.			
F	a. Determine that reported budget amounts are supported by original adopted appropriations adjusted for properly authorized budget amendments.	_____	_____	_____
[A] F	b. Examine budget for the year under audit and determine if related expenditures plus encumbrances are within the appropriations.	_____	_____	_____
F	c. Determine if the appropriation ordinances comply with governing legal provisions and relate directly to tax levy ordinances.	_____	_____	_____
	4. Purchases.			
[B] D F	a. Review the applicable ordinance or regulation setting forth the procedure for making purchases, and determine that selected purchases were made or awarded in accordance with these regulations. Bid files should be examined on a test basis for those purchases for which competitive bids are required.	_____	_____	_____
A B	b. Check invoice for correct price and accuracy of mathematics.	_____	_____	_____
A B	c. Compare purchase order, receiving report and invoice.	_____	_____	_____
A	d. Note purchases from local government officials or employees.	_____	_____	_____

Obj.		Done By	Date	W/P Ref.
	5. Payrolls - For selected payroll disbursements, perform the following procedures:			
F	a. Compare the rates of pay shown on the individual payroll records and on the payroll summaries with the salary and appropriation ordinances.	_____	_____	_____
[A] F	b. Examine time cards for approval.	_____	_____	_____
A B D	c. Determine that payroll amounts on the payroll record are charged to proper appropriation account and that amounts are recorded on individual payroll records.	_____	_____	_____
A B [F]	d. Distribute the payroll checks for any pay period, maintaining control over unclaimed checks until all have been claimed by authorized personnel.	_____	_____	_____
B	e. Compare payroll amounts with timekeeping or attendance records.	_____	_____	_____
A B F	f. Pay special attention to endorsements on payroll checks, noting especially those checks cashed by any department of the local government and investigate thoroughly.	_____	_____	_____
[D] F	g. Verify payment of the various payroll deductions to the proper authority.	_____	_____	_____
[A]	h. For selected employees, verify that appropriate entries were made to the client's leave records.	_____	_____	_____
D	i. Determine if client has a deferred compensation plan. If a plan exists, obtain required information for agency fund and footnote disclosure.	_____	_____	_____
D	j. Determine if local government pays post-retirement health care or life insurance costs. Obtain description of			

Obj.		Done By	Date	W/P Ref.
	policies and related costs for current year.	_____	_____	_____
	6. Other payroll.			
A B	a. Review for retroactive pay increases, large overtime payments, and other unusual compensation arrangements.	_____	_____	_____
F	b. Review pay rates for compliance with policies or labor contract provisions.	_____	_____	_____
	7. Bond and interest expenditures/expenses.			
A B D F	a. Examine bond ordinances and tax levies for retirement of bonds and interest provisions and other material requirements and test compliance therewith.	_____	_____	_____
	(1). Prepare a statement of general bonded debt to determine that taxes to be received in the future will be adequate to retire all bonds and meet interest payments due.	_____	_____	_____
A B	b. Examine cancelled bonds and interest coupons making sure that all are properly cancelled, and reconcile to payments made.	_____	_____	_____
A	c. If bonds are registered, confirm with paying agents the receipt of advances shown as having been made by the local government and also the bonds and interest coupons paid and cancelled by paying agency during the year.	_____	_____	_____
	(1). Schedule the cash transactions carried on by paying agent's office and make a part of working papers.	_____	_____	_____
	8. Construction and improvement expenditures.			
A B F	a. Check the minutes for action taken by the governing board pertaining to			

Obj.		Done By	Date	W/P Ref.
	construction or bond ordinances where applicable.	_____	_____	_____
C D	b. Where federal, state or local government monies are used, check any regulatory laws or regulations issued by that governmental authority.	_____	_____	_____
E F	c. Determine that amounts paid are in accordance with the terms of contracts.	_____	_____	_____
A D	d. Ascertain amounts of contracts payable which are due but unpaid.	_____	_____	_____
A F	e. Review bids, contracts, partial payments, changes in orders, etc., in connection with major construction.	_____	_____	_____
F	f. Note purchases from local government officials or employees.	_____	_____	_____
A D	g. Trace in-house construction work orders to closing and transfer to GFAAG.	_____	_____	_____
	9. Trust and agency fund expenditures and disbursements.			
D	a. Trace collections into trust and agency funds of the local government on a test basis.	_____	_____	_____
A D	b. Note and examine the properly filed reports supporting payments to other governmental agencies.	_____	_____	_____
A B F	c. For client employee retirement contributions, in addition to the steps noted above, confirm the amount of the local government's actuarial liability to that organization. Also, for any pension funds compute statutory liability.	_____	_____	_____
	10. Other expenditures/expenses.			
A B	a. Determine that expenditures/expenses			

Obj.		Done By	Date	W/P Ref.
	made by or on behalf of key officers are reasonable.	_____	_____	_____
A	b. Schedule any other expenditure or expense accounts of material amount and perform audit procedures determined necessary.	_____	_____	_____
D. Other Auditing Procedures - Liabilities				
	1. Accounts or vouchers payable and encumbrances.			
	a. Obtain schedule of accounts payable and encumbrances at end of audit period. Consider confirmation of large accounts payable balances and trace encumbrances to unfilled purchase orders.	_____	_____	_____
A	b. Reconcile detail of liabilities to general ledger accounts.	_____	_____	_____
B	c. For selected entries in accounts payable examine underlying documentation.	_____	_____	_____
A B	d. Examine invoices received and payments made subsequent to year-end on a test basis to determine if any should be included in period being audited.	_____	_____	_____
A B	e. Ascertain nature and extent of unencumbered purchase commitments at year end.	_____	_____	_____
	2. Deposits.			
C	a. Obtain and reconcile detailed records to general ledger.	_____	_____	_____
C	b. Confirm balances on a test basis.	_____	_____	_____
C	c. If interest is paid, test payments made of interest or interest accrued as of end of period being audited.	_____	_____	_____
C F	d. Review the provisions of any related ordinances and test for compliance.	_____	_____	_____

Obj.		Done By	Date	W/P Ref.
A C	e. Determine whether deposits are refundable in full or part.	_____	_____	_____
[F]	f. Determine whether records of "bid" or "good faith" deposits are made.	_____	_____	_____
	3. Taxes levied or collected for other units of government.			
B	a. Verify collections, payments and balances on hand and collected balances due other units.	_____	_____	_____
B D	b. Determine that such items are recorded as liabilities to others.	_____	_____	_____
	4. Accrued salaries and wages.			
B C F	a. If the client accrues salaries and wages and payroll taxes, the accuracy of such accruals should be verified. (Do accruals relate to budget provisions?)	_____	_____	_____
	5. Taxes or fees collected in advance.			
A B	a. If taxes, licenses or fees have been collected in advance, they should be recorded as deferred revenue. Verify these amounts with reference to supporting documents and consider confirmation of amounts.	_____	_____	_____
B D	b. Set up as a liability, duplicate tax or fee collection not disposed of.	_____	_____	_____
B	c. Trace disposition of items recorded at beginning of period.	_____	_____	_____
	6. Compensated absences.			
	a. Obtain the local government's personnel policies and procedures and review the provisions relating to the accrual and payment of compensated absences.	_____	_____	_____
A B	b. Obtain the schedule prepared by the			

Obj.		Done By	Date	W/P Ref.
[C] D	local government to compute the liabilities for compensated absences and determine by appropriate tests that:			
	(1). The schedule is arithmetically correct;	_____	_____	_____
	(2). All qualifying employees are included and that all employees included on the schedule are qualified;	_____	_____	_____
	(3). Appropriate salary and benefit rates are applied;	_____	_____	_____
	(4). Leave balances shown by the schedule are consistent with selected employee leave records; and	_____	_____	_____
	(5). The schedule is correct as to the employing fund.	_____	_____	_____
A D	c. Determine that the current and long-term portions of the liability have been recorded in accordance with GASB Codification section C60.	_____	_____	_____
E	7. Review client's file concerning litigation, including attorney's invoices received during and after the period under audit.	_____	_____	_____
E	8. Inquire as to material commitments to purchase or construct property, equipment, etc.	_____	_____	_____
	E. Other Auditing Procedures - Prepaid Items			
[C]	1. Summarize the type and amount of other assets and prepaid items such as:			
	a. Unexpired insurance.	_____	_____	_____
	b. Prepaid rent.	_____	_____	_____
	c. Supplies inventories.	_____	_____	_____

Obj.		Done By	Date	W/P Ref.
	d. Advances.	_____	_____	_____
	e. Unamortized expense.	_____	_____	_____
	f. Deposits.	_____	_____	_____
	g. Other (itemize).	_____	_____	_____
C	2. Ascertain propriety of amounts by review of calculations, supporting documents, related expense accounts, etc.	_____	_____	_____
C	3. Confirm when considered necessary.	_____	_____	_____
	F. Other Auditing Procedures - Cash Disbursements			
[A] [B]	1. Foot and cross-foot cash journals for a selected period and trace totals to ledger accounts.	_____	_____	_____
A	2. Account for all checks issued or voided.	_____	_____	_____
A	3. Examine checks issued during period being audited or for a selected sample thereof, for the following:			
	a. Entry to cash disbursement's records as to number, date, payee and amount.	_____	_____	_____
	b. Authorization of governing body for issuance.	_____	_____	_____
	c. Check signers and cosigners.	_____	_____	_____
	d. Inspect endorsements and signatures.	_____	_____	_____
	G. Overall Conclusions			
	1. In our opinion, we have obtained sufficient and competent evidential matter to provide reasonable assurance that:			
	a. Expenditure/expense accounts include all costs and expenses applicable to the period and all losses and estimated			

Obj.	Done By	Date	W/P Ref.
future expenses that should be reflected in the period and that classification is consistent with the accounting system and generally accepted accounting principles;	_____	_____	_____
b. Accounts payable are properly authorized, represent the correct amounts of currently payable items and reflect all outstanding obligations;	_____	_____	_____
c. Prepaid and accrued accounts are properly stated;	_____	_____	_____
d. Account descriptions, classifications and related disclosures are adequate and not misleading;	_____	_____	_____
e. All loss contingencies are identified and recorded or disclosed; and,	_____	_____	_____
f. Legal requirements relating to purchasing, payrolls, and disbursements have been complied with;	_____	_____	_____
Except as follows:			

This audit program section has been completed in accordance with firm policy.

	Date
_____	_____
Done by	
_____	_____
Reviewed by	

Obj.

Done W/P
By Date Ref.

VI. Inventories

Financial Statement Assertions

1. Existence or occurrence.
2. Completeness.
3. Rights and obligations.
4. Valuation or allocation.
5. Presentation and disclosure.

Objectives:

- A. Inventories physically exist, in good condition, unencumbered by pledge or lien; (Assertions 1, 2, 3)
- B. The accounts reflect all inventory held for use in the ordinary course of operations; (Assertions 3, 5)
- C. Estimates of realizable value are carefully and consistently made. (Assertion 4)

NOTE: The letters preceding each of the above objectives serve as identification codes. These codes are presented in the objective column when the audit step accomplishes the specific objective. If the letter appears in brackets, i.e., [A], [B], etc., the audit procedure only secondarily accomplishes the objective.

Procedures:

- A. Evaluation of Internal Control Structure
 1. Review the documentation and conclusions resulting from the steps taken to understand and test the internal control structure policies, procedures, and records relevant to planning the audit of inventories.

Obj.		Done By	Date	W/P Ref.
	2. Consider the understanding obtained of the internal control structure, the assessed level of control risk (together with assessment of inherent risk), and the acceptable level of detection risk to determine the nature, timing, and extent of substantive tests.	_____	_____	_____
	3. Revise the audit program, as appropriate, following the consideration of the internal control structure and related audit risks.	_____	_____	_____
	B. Analytical Procedures			
	1. Review the planning procedures applicable to analytical procedures performed on inventory and consider the result of the procedures in determining the nature, timing, and extent of other audit procedures.	_____	_____	_____
	2. Revise the audit program, as appropriate, following consideration of the results of the analytical procedures.	_____	_____	_____
	3. If analytical procedures are used for substantive testing purposes, document the basis for the expected relationship, the results of the comparison of the recorded amount to the expectation, and the results of the evaluation of unexpected differences between the recorded amount and the expectation.	_____	_____	_____
	C. Other Auditing Procedures			
A	1. Observe the taking of physical inventories and make test counts of various items. Record quantities and description of items selected for test counts.	_____	_____	_____
C	2. Ascertain that obsolete and damaged stock has been appropriately identified and valued.	_____	_____	_____

Obj.		Done By	Date	W/P Ref.
B	3. Ascertain that proper cut-off is effected with respect to purchases and consumption.	_____	_____	_____
A	4. Trace quantities and descriptions per audit test counts into final inventory sheets.	_____	_____	_____
B	5. Test clerical accuracy of inventories as to:			
	a. Unit prices.	_____	_____	_____
	b. Extensions.	_____	_____	_____
	c. Footings.	_____	_____	_____
	d. Totals to summaries.	_____	_____	_____
[B] C	6. Select several items included in the inventory test counts and verify prices to determine that the inventory has been consistently valued.	_____	_____	_____
B C	7. Compare the dollar amount of inventory by fund to prior periods and investigate any material fluctuations considering the reasonableness of the change in relation to the expected change.	_____	_____	_____
B	8. Compute and analyze turnover rates for significant inventories.	_____	_____	_____
	9. Make appropriate notations regarding matters to be discussed with audit partner, manager, or in-charge auditor.	_____	_____	_____
D. Overall Conclusions				
	1. In our opinion, we have obtained sufficient and competent evidential matter to provide reasonable assurance that:			
	a. Inventories physically exist, in good condition, unencumbered by pledge or lien;	_____	_____	_____

Obj.		Done By	Date	W/P Ref.
b.	The accounts reflect all inventory held for use in the ordinary course of operations;			
c.	Cost of inventory items is measured in accordance with generally accepted accounting principles, consistently applied; and			
d.	Estimates of realizable value are carefully and consistently made;			
	Except as follows:			

This audit program section has been completed in accordance with firm policy.

	Date
Done by	
Reviewed by	

Obj.

Done
By Date W/P
 Ref.

VII. Property

Financial Statement Assertions

1. Existence or occurrence.
2. Completeness.
3. Rights and obligations.
4. Valuation or allocation.
5. Presentation and disclosure.

Objectives:

- A. The property represented by the accounts exists, is owned by the local government, and is unencumbered except as indicated (Assertions 1, 3)
- B. Additions have been properly recorded, are recorded at the proper amount and are authentic (Assertions 2, 4, 5)
- C. The cost or other basis of recording property is in accordance with generally accepted accounting principles (Assertions 4, 5)
- D. Accounting for the use and disposition of property is consistent from period to period and in accordance with generally accepted accounting principles (Assertion 4, 5)
- E. The control over general fixed assets has been properly established (Assertion 1)

NOTE: The letters preceding each of the above audit objectives serve as identification codes. These codes are presented in the objective column when the audit step accomplishes the specific objective. If the letter appears in brackets, i.e., A, B, etc., the audit procedure only secondarily accomplishes the objective.

Procedures:

Obj.

Done
By Date W/P
 Ref.

A. Evaluation of Internal Control Structure

1. Review the documentation and conclusions resulting from the steps taken to understand and test the internal control structure policies, procedures, and records relevant to planning the audit of property. _____
2. Consider the understanding obtained of the internal control structure, the assessed level of control risk (together with assessment of inherent risk), and the acceptable level of detection risk to determine the nature, timing, and extent of substantive tests. _____
3. Revise the audit program, as appropriate, following the consideration of the internal control structure and related audit risks. _____

B. Analytical Procedures

1. Review the planning procedures applicable to analytical procedures performed on property and consider the result of the procedures in determining the nature, timing, and extent of other audit procedures. _____
2. Revise the audit program, as appropriate, following consideration of the results of the analytical procedures. _____
3. If analytical procedures are used for substantive testing purposes, document the basis for the expected relationship, the results of the comparison of the recorded amount to the expectation, and the results of the evaluation of unexpected differences between the recorded amount and the expectation. _____

C. Other Auditing Procedures

Obj.		Done By	Date	W/P Ref.
A [B] C E	1. When detailed records are maintained, the auditor should test by physical inspection that items are on hand and that the detailed property records are in agreement with the appropriate control accounts.	_____	_____	_____
B [C] E	2. Examine invoices or other documentation for additions to the fixed assets during the period. Determine if the additions have been authorized, classified in the accounts correctly and added to the property records. Determine capitalization policy regarding amounts.	_____	_____	_____
C D [E]	3. Test to determine that disposals were authorized and properly recorded in the property records and trace proceeds into the record of cash receipts or receivables.	_____	_____	_____
D E	4. For construction work-in-progress, obtain or prepare an analysis by project, test mathematical accuracy, examine documentary support for major additions, test transfers to permanent assets at end of year. Consider confirming status of construction contracts with contractors.	_____	_____	_____
[A] E	5. Review insurance policies to determine if property and equipment coverage is adequate.	_____	_____	_____
B	6. Test that all major repairs, additions and replacements have been authorized by the governing body; if legally required.	_____	_____	_____
B C	7. Review allowances for depreciation if the local government maintains such records (most local governments do not keep such records, except where an Enterprise Fund or Internal Service Fund is involved).	_____	_____	_____
A [B]	8. Examine deeds on newly acquired real estate and inquire into status of records for deeds on property acquired in prior periods.	_____	_____	_____

Obj.		Done By	Date	W/P Ref.
	9. Make appropriate notations regarding matters to be discussed with audit partner, manager, or in-charge auditor.	_____	_____	_____
[A] E	10. Observe physical safeguards.	_____	_____	_____
	D. Overall Conclusions			
	1. In our opinion, we have obtained sufficient and competent evidential matter to provide reasonable assurance that:			
	a. The property represented by the accounts exists, is owned by the local government and is unencumbered except as indicated;	_____	_____	_____
	b. Additions are properly recorded, are recorded at the proper amount, and are authentic;	_____	_____	_____
	c. The cost or other basis of recording property is in accordance with generally accepted accounting principles;	_____	_____	_____
	d. Accounting for the use and disposition of property is consistent from period to period and in accordance with the generally accepted accounting principles; and,	_____	_____	_____
	e. The control over general fixed assets has been properly established.	_____	_____	_____

This audit program section has been completed in accordance with firm policy.

Date

Done by

Reviewed by

Obj.

Done
By Date W/P
 Ref.

VIII. Financing (Including Equity Accounts)

Financial Statement Assertions

1. Existence or occurrence.
2. Completeness.
3. Rights and obligations.
4. Valuation or allocation.
5. Presentation and disclosure.

Objectives:

- A. All financing commitments, both those connected with recorded financing (assets pledged, covenants, etc.) and those related to prospective or "off balance sheet" financing, are identified.
(Assertions 1, 2)
- B. All financing commitments are properly authorized and classified (Assertions 2, 3, 5)
- C. All transactions are recorded in the correct period and amount (Assertions 2, 4)
- D. The cost of financing is accounted for in accordance with generally accepted accounting principles (Assertions 4, 5)
- E. All changes in equity accounts are properly recorded (Assertions 2, 4, 5)
- F. All equity balances are properly reported.
(Assertions 2 and 5)
- G. If the government is subject to the rebate calculation and refund requirements of the Tax Reform Act of 1986 (TRA): (Assertion 3)
 - a. The calculation has been made as required by law/regulation (annually on the anniversary date of each bond issue);

Obj.

Done W/P
By Date Ref.

b. The refund has been made as required (30 days after the end of the fifth rebate year); and,

c. Liabilities resulting from a failure to comply with rebate and refund requirements have been properly recorded as a loss contingency and/or disclosure has been made in the notes of potential loss of tax exempt status

NOTE: The letters preceding each of the above audit objectives serve as identification codes. These codes are presented in the objective column when the audit step accomplishes the specific objective. If the letter appears in brackets, i.e. [A], [B], etc., the audit procedure only secondarily accomplishes the objective.

Procedures:

A. Evaluation of Internal Control Structure

1. Review the documentation and conclusions resulting from the steps taken to understand and test the internal control structure policies, procedures, and records relevant to planning the audit of financing. _____
2. Consider the understanding obtained of the internal control structure, the assessed level of control risk (together with assessment of inherent risk), and the acceptable level of detection risk to determine the nature, timing, and extent of substantive tests. _____
3. Revise the audit program, as appropriate, following the consideration of the internal control structure and related audit risks. _____

Obj.		Done By	Date	W/P Ref.
	B. Analytical Procedures			
	1. Review the planning procedures applicable to analytical procedures performed on financing and consider the result of the procedures in determining the nature, timing, and extent of other audit procedures.	_____	_____	_____
	2. Revise the audit program, as appropriate, following consideration of the results of the analytical procedures.	_____	_____	_____
	3. If analytical procedures are used for substantive testing purposes, document the basis for the expected relationship, the results of the comparison of the recorded amount to the expectation, and the results of the evaluation of unexpected differences between the recorded amount and the expectation.	_____	_____	_____
	C. Other Auditing Procedures - Notes, Tax Anticipation Warrants and Contracts Payable			
[A] B C	1. Determine that all obligations of this nature have been properly authorized. Schedule and verify changes in all obligation accounts for the year.	_____	_____	_____
[A] B C	2. Circularize note holders. Determine interest rates, collateral, liens, and security agreements, if any.	_____	_____	_____
B C D	3. Determine that warrants, etc., have not been issued in excess of legal limitations and confirm that payments have been made in accordance with legal requirements.	_____	_____	_____
C	4. Determine that interest paid or accrued has been computed correctly.	_____	_____	_____
B C	5. Determine any amount of retainage on construction billings in situations where construction projects are present. Examine contracts for proper authority.	_____	_____	_____

Obj.		Done By	Date	W/P Ref.
[A] B C	6. Determine that leases have been properly classified as capital or operating.	_____	_____	_____
	D. Other Auditing Procedures - Loans and Advances			
B C	1. Determine that all obligations of this nature have been properly authorized. Schedule and verify changes in all obligation accounts for the year.	_____	_____	_____
C D	2. Trace receipt to cash receipts.	_____	_____	_____
C D	3. Determine that all items are properly recorded as a liability.	_____	_____	_____
C	4. Determine that all payments have been made as required.	_____	_____	_____
C [D]	5. Verify interest rates and accruals.	_____	_____	_____
	E. Other Auditing Procedures - Bonded Debt			
A B	1. Review bond register showing bonded debt.	_____	_____	_____
B	2. Check amounts authorized to records of election ordinances authorizing new issues in the current period.	_____	_____	_____
B C	3. Trace proceeds of new bond issues to bank account using broker's confirmation as a source of verification account for unissued bonds, if applicable.	_____	_____	_____
C D	4. Reconcile bonds issues at beginning of period and at end of period.	_____	_____	_____
C D	5. Test interest expense for period and scrutinize it for any indication of unrecorded long-term debt.	_____	_____	_____
C D	6. Verify bonds and coupons due but not paid with paying agent where appropriate.	_____	_____	_____
B	7. Determine compliance with bond ordinance requirements for establishment and maintenance of restrictive accounts.	_____	_____	_____

Obj.		Done By	Date	W/P Ref.
C	8. Verify payment of current year's maturities. (Examine cancelled bonds and interest coupons.)	_____	_____	_____
C D	9. Confirm directly with the paying agent any year-end balances (including cancelled bonds and coupons on hand); that each issue has been serviced properly; and that the client has complied with all necessary requirements during the year.	_____	_____	_____
B C D	10. Determine that cash on hand with the paying agent is recorded as both an asset and a liability.	_____	_____	_____
B	11. Review underlying documentation for any other long-term debt.	_____	_____	_____
B	12. Determine that the total outstanding debt does not exceed the legal restrictions.	_____	_____	_____
F. Other Auditing Procedures - Other Debt				
B	1. Review documentation supporting compliance with debt covenants. Review for waiver in case of noncompliance.	_____	_____	_____
B	2. Review calculation of debt limits compared to outstanding debt.	_____	_____	_____
G. Other Auditing Procedures - Arbitrage Rebate and Refund Requirements Under the Tax Reform Act of 1986				
G	1. Obtain a listing of obligations issued since August 15, 1986, the effective date of 1986 TRA.	_____	_____	_____
G	2. Obtain for each bond issue the certificate as to arbitrage issued by bond counsel which is essential for an understanding of the compliance requirements relative to a bond issue.	_____	_____	_____
G	3. Determine whether:			

Obj.

Done
By Date W/P
 Ref.

- a. The foregoing bonds are subject to arbitrage rebate calculation and refund requirements of the TRA;

- b. The procedures adopted to ensure compliance with the arbitrage provisions of TRA are adequate. Consideration should be given to whether competent guidance has been received in this area from counsel and others;

- c. Accounting records are maintained by debt issue for proceeds, related investment earnings, and related rebate amounts, if any;

- d. Debt proceeds and bond issue reserve funds have been invested and the nature of the investment. Income on State and Local Government Series (SLGS) Program investments and income on tax exempt obligations will as a general rule be exempt from arbitrage;

- e. The arbitrage rebate calculation has been made annually on the bond issue anniversary date and whether the rebate amount has been placed in a separate account. The rebate calculation is generally made through the use of purchased software or by consultants;

- f. The appropriate rebate refund payment was made to the U.S. Treasury within 30 days after the end of the fifth rebate year. The rebate payment must be:
 - (1). 90% of the calculated rebate amount, and

 - (2). All interest earned on the rebate amount;

- g. Any penalties have been imposed by the Internal Revenue Service for failure to comply with the TRA;

Obj.		Done By	Date	W/P Ref.
	h. The government has been advised of the possible loss of tax exempt status on bond issues for failure to comply with the provisions of the TRA; and,	_____	_____	_____
	i. The rebate amount and penalties, if any, are properly reported in the financial statements and/or disclosed in the notes thereto.	_____	_____	_____
G	4. Determine whether the local government's record retention policy requires records to be maintained for 6 years after the bonds are retired.	_____	_____	_____
	H. Other Auditing Procedures - Local Government Entity			
A	1. Sinking fund requirement and reserves.			
	a. Examine the statutes, charter or ordinance with respect to the method of calculating annual sinking fund and reserve requirements.	_____	_____	_____
	b. Determine that the reserve for retirement of sinking fund bonds is set-up on a basis provided by law. If there are no legal provisions respecting the basis of calculating requirements, see that such requirements are set-up on an actuarial basis.	_____	_____	_____
	c. Note whether the reserve indicates correctly the amount of assets which should be in the fund.	_____	_____	_____
	d. Note whether contributions and earnings thereon are in accordance with requirements.	_____	_____	_____
	e. Determine that restricted assets are invested in the classes of securities as required by law, if applicable.	_____	_____	_____
	f. Determine that sinking fund investments			

Obj.		Done By	Date	W/P Ref.
	mature early enough to meet the bonds to be retired from the fund.	_____	_____	_____
E F	2. Fund balances, retained earnings, reserves, and designations.			
	a. Review the minutes of the governing body, boards, charter, and debt agreements to identify the authorizations for reservations or designations of fund balances. Determine that such reserves and designations are properly recorded and disclosed.	_____	_____	_____
	b. Review balances for legal compliance.	_____	_____	_____
	c. Analyze all transactions to the reserve accounts for the year.	_____	_____	_____
	d. Analyze all transactions to fund balances or retained earnings accounts for the year to determine that all such transactions are properly reported in the financial statements or notes.	_____	_____	_____
	e. Verify the validity of any adjustment to the fund balance or, where applicable, retained earnings accounts, and determine appropriate reporting if material.	_____	_____	_____
	I. Overall Conclusion			
	1. In our opinion, we have obtained sufficient and competent evidential matter to provide reasonable assurance that:			
	a. All financing commitments, both those connected with recorded financing and those related to prospective or "off balance-sheet" financing are identified;	_____	_____	_____
	b. All financing commitments are properly authorized and classified;	_____	_____	_____
	c. All transactions are recorded in the correct period and amount;	_____	_____	_____

Obj.	Done By	Date	W/P Ref.
d. The cost of financing is accounted for in accordance with generally accepted accounting principles;	_____	_____	_____
e. All changes in equity accounts are properly recorded;	_____	_____	_____
f. All equity balances are properly reported;	_____	_____	_____
g. The arbitrage rebate calculation, if required, has been made as required by law/regulation;	_____	_____	_____
h. The arbitrage refund has been made as required by law/regulation; and,	_____	_____	_____
i. There are no loss contingencies due to noncompliance that have not been properly recorded or disclosed.			

Except as follows:

This audit program section has been completed in accordance with firm policy.

	Date
_____ Done by	_____
_____ Reviewed by	_____

Obj.

Done
By Date W/P
Ref.

IX. Insurance

Financial Statement Assertions

1. Existence or occurrence.
2. Completeness.
3. Rights and obligations.
4. Valuation or allocation.
5. Presentation and disclosure.

Objectives:

- A. The local government has provided reasonable coverage for risks of loss (Assertion 3)
- B. Self-insurance programs are properly authorized and in accordance with state and local laws and regulations (Assertion 3)
- C. Self-insurance program premiums have been properly assessed and recorded in benefiting funds (Assertions 3, 4, 5)
- D. Claims payable for self-insurance programs have been properly determined and recorded (Assertions 2, 3, 4, 5)
- E. Claims paid by self-insurance programs conform to self-insurance program requirements (Assertion 3)
- F. Note disclosures relative to the local government's insurance programs provide adequate disclosure (Assertion 5)

NOTE: The letters preceding each of the above audit objectives serve as identification codes. These codes are presented in the objective column when the audit step accomplishes the specific objective. If the letter appears in brackets, [A], [B], etc., the audit procedure only secondarily accomplishes the objective.

Procedures:

Obj.

Done
By Date W/P
Ref.

A. Evaluation of Internal Control Structure

1. Review the documentation and conclusions resulting from the steps taken to understand and test the internal control structure policies, procedures, and records relevant to planning the audit of insurance. _____
2. Consider the understanding obtained of the internal control structure, the assessed level of control risk (together with assessment of inherent risk), and the acceptable level of detection risk to determine the nature, timing, and extent of substantive tests. _____
3. Revise the audit program, as appropriate, following the consideration of the internal control structure and related risks. _____

B. Analytical Procedures

1. Review the planning procedures applicable to analytical procedures performed on cash and consider the result of the procedures in determining the nature, timing, and extent of other audit procedures. _____
2. Revise the audit program, as appropriate, following consideration of the results of the analytical procedures. _____
3. If analytical procedures are used for substantive testing purposes, document the basis for the expected relationship, the results of the comparison of the recorded amount to the expectation, and the results of the evaluation of unexpected differences between the recorded amount and the expectation. _____

C. Other Auditing Procedures

- A
1. Obtain a copy of the local government's insurance register. _____

Obj.		Done By	Date	W/P Ref.
A	2. Verify the accuracy of the insurance register by comparing the referenced policy information to the insurance policy.	_____	_____	_____
A	3. Determine that the insurance register is complete by comparing recorded premium payments to the insurance policies shown by the insurance register. Trace covered property to the property records.	_____	_____	_____
A B [F]	4. Prepare a schedule showing the types of risks of loss to which the local government is exposed and how those risks are handled (for example, through commercial insurance, self-insurance, public risk pool, etc.).	_____	_____	_____
B	5. Where applicable, review local government resolutions, minutes, state statutes, etc., authorizing the retention of risk (self-insurance program).	_____	_____	_____
C D	6. For self-insurance programs accounted for within an internal service fund, determine that premiums are:			
	a. Recorded as charges for services in the internal service fund;	_____	_____	_____
	b. Recorded as expenditures/expenses of the insured funds; and,	_____	_____	_____
	c. Based on the loss experience of the internal service fund and allocated to the insured funds on a reasonable basis.	_____	_____	_____
D E	7. Determine that claims and related expenditures/expenses have been recognized in accordance with GASB Codification section C50. Claims payable may be estimated through a case-by-case review of all claims, the application of historical experience to the outstanding claims, or a combination of those methods.	_____	_____	_____

Obj.		Done By	Date	W/P Ref.
D	8. Determine that the estimated liability includes INBR losses and that the basis used to establish such estimates is reasonable.	_____	_____	_____
D F	9. Determine that the liability has been properly recorded and reported:			
	a. For the general fund, claims payable are recorded using the modified accrual basis, with the current portion recorded as an expenditure and a fund liability and the long-term portion recorded in the general long-term debt account group.	_____	_____	_____
	b. For internal service funds, the total of claims payable are reported as internal service funds liabilities.	_____	_____	_____
E	10. Select a representative sample of claims paid and verify that the claimed losses were documented and that the payments made conform to program provisions.	_____	_____	_____
E	11. Examine claims paid subsequent to the close of the fiscal year to determine the existence of unrecorded payables.	_____	_____	_____
C	12. Determine that consideration has been given to recording properly authorized interfund receivables and payables to eliminate internal service fund deficits.	_____	_____	_____
C	13. Determine that assets accumulated to pay claims are appropriately shown as reserved or designated for self-insurance.	_____	_____	_____
F	14. Determine the accuracy and completeness of related note disclosures.	_____	_____	_____
D. Overall Conclusions				
	1. In our opinion, we have obtained sufficient and competent evidential matter to provide reasonable assurance that:			

Obj.	Done By	Date	W/P Ref.
a. The local government has provided reasonable coverage for risks of loss;	_____	_____	_____
b. Self-insurance programs are properly authorized and in accordance with state and local laws and regulations;	_____	_____	_____
c. Self-insurance program premiums have been properly assessed and recorded;	_____	_____	_____
d. Claims payable for self-insurance programs have been properly determined and recorded;	_____	_____	_____
e. Claims payable for self-insurance programs conform to self-insurance requirements; and,	_____	_____	_____
f. Note disclosures relative to the local government's insurance programs provide adequate disclosure;	_____	_____	_____

Except as follows:

This audit program section has been completed in accordance with firm policy.

	Date
Done by _____	_____
Reviewed by _____	_____

Obj.

Done W/P
By Date Ref.

X. Pension Trust Funds

Financial Statement Assertions

1. Existence or occurrence.
2. Completeness.
3. Rights and obligations.
4. Valuation or allocation.
5. Presentation and disclosure.

Objectives:

- A. The physical evidences of ownership of investments reported in the financial statements (stock certificates, bonds, notes, etc.) are on hand or held in custody or safekeeping by others for account of the client's pension trust funds (Assertion 1, 2, 3)
- B. Adequate disclosure has been made of the pledging of any investments, and credit risks are properly disclosed as required by GASB Statement No. 3 (Assertions 3, 5)
- C. Investments and the related income are properly valued, allocated, classified, and described in the financial statements (Assertions 2, 4, 5)
- D. Insurance contracts and accounts established to fund employee benefits are appropriately reported in the financial statements; (Assertions 4, 5)
- E. The amounts received or due the plan have been determined in accordance with plan requirements and recorded and reported in conformity with generally accepted accounting principles, including the establishment of an appropriate valuation allowance (Assertions 3, 4, 5)

Obj.

Done By Date W/P Ref.

- F. Benefit payment amounts conform to plan provisions (Assertion 3)
- G. Financial statement representations are consistent with actuarial findings. (Assertions 4, 5)
- H. Applicable accounting principles have been consistently applied; (Assertion 4, 5)
- I. Required supplementary information has been presented in accordance with guidelines established for its presentation and measurement (Assertions 2, 5)

NOTE: The letters preceding each of the above audit objectives serve as identification codes. These codes are presented in the objective column when the audit step accomplishes the specific objective. If the letter appears in brackets, i.e. [A], [B], etc., the audit procedure only secondarily accomplishes the objective.

Procedures:

A. Audit Planning

- 1. Discuss the following with pension plan administrators, trustees, or other appropriate client officials:
 - a. Covered employees, retirees, etc. _____
 - b. Participating employers. _____
 - c. Types of plans (defined benefit or defined contribution plan). _____
 - d. Date of latest actuarial review or update, name and address of actuary, and GASB Statement No. 5 actuarial requirements. _____
 - e. Names and titles of client contact

Obj.

Done
By Date W/P
Ref.

- personnel and their respective responsibilities for the plan or plans. _____
- f. Funding of plan (self-insured, insured, or split-funded). _____
- g. Custody of investments. _____
- h. Responsibility for plan administration and location of accounting records and participant's data. _____
- i. The extent that records are automated and whether the local government or an outside EDP service processes plan data. _____
- j. Citations of applicable statutes and rules. _____
- k. The nature and extent of special reporting requirements, if any, and related audit requirements. _____
- l. The extent of involvement, if any, of specialists, consultants, internal auditors, and other independent auditors. _____
- m. Basis upon which financial statements are prepared (whether NCGA Statement 1, NCGA Statement 6, FASB Statement No. 34, or other). _____
- n. Significant changes in accounting principles, plan provisions, actuarial methods, etc. _____
- o. Significant contracts, litigation, or contingencies. _____
- p. If assets are held by a trustee, the nature of the trustee arrangement ("directed trust" or "discretionary trust"). _____
- q. The extent to which component unit pension plans exist. _____

Obj.

Done
By Date W/P
 Ref.

2. Read the pension plan instruments, including amendments, to determine how the plan works, its funding, participating employers and employees, basis for determining benefits, etc. _____
3. Read state and local statutes and rules authorizing the retirement programs and note all pertinent laws of potential material impact (for example, provisions specifying legal investment types). _____
4. Read agreements with trustees, investment advisers, and insurance companies. _____
5. Obtain and review relevant policy and procedure manuals and flowcharts. _____
6. Read the prior year's annual report and current and prior year filings with regulatory agencies. _____
7. Obtain from other independent auditors special purpose reports on the internal accounting control structure of service organizations which were responsible for executing, recording, and /or processing financial or finance-related data (for example, trustees with significant responsibility for pension plans or investment administration). _____
8. Read reports from actuaries, trustees, insurance companies, other independent auditors, and internal auditors. _____
9. Coordinate audit progress with trustees, actuaries, services centers, employers, other independent auditors, internal auditors, and others, as necessary. _____
10. Consider integration of pension trust fund audit procedures with those specified for other segments (for example, use of payroll sample item to test participant records). _____

Obj.

Done
By Date W/P
 Ref.

B. Evaluation of Internal Control Structure

1. Review the documentation and conclusions resulting from the steps taken to understand and test the internal control structure policies, procedures, and records relevant to planning the audit of the pension trust fund and related areas. _____
2. Consider the understanding obtained of the internal control structure, the assessed level of control risk (together with assessment of inherent risk), and the acceptable level of detection risk to determine the nature, timing, and extent of substantive tests. _____
3. Revise the audit program, as appropriate, following the consideration of the internal control structure and related audit risks. _____

C. Analytical Procedures

1. Review the planning procedures applicable to analytical procedures performed on the pension trust funds and related areas and consider the result of the procedures in determining the nature, timing, and extent of other audit procedures. _____
2. Revise the audit program, as appropriate, following consideration of the results of the analytical procedures. _____
3. If analytical procedures are used for substantive testing purposes, document the basis for the expected relationship, the results of the comparison of the recorded amount to the expectation, and the results of the evaluation of unexpected differences between the recorded amount and the expectation. _____

D. Other Auditing Procedures-Investments

Obj.		Done By	Date	W/P Ref.
[A] B [C]	1. Obtain an analysis of changes in investments during the period.	_____	_____	_____
A	2. Obtain evidence (by confirmation or physical count) concerning the existence and ownership of the investments.	_____	_____	_____
B	3. Obtain information concerning any liens, pledges, or other security interests by reviewing minutes, agreements, and confirmations.	_____	_____	_____
A B	4. For assets held by a trustee, obtain and review information concerning the trustee's responsibility and financial capability.	_____	_____	_____
C	5. Reconcile amounts confirmed or counted to recorded accountability.	_____	_____	_____
[A] [B] C H	6. Test investment transactions for proper authorization, legality, proper recording as to dates, amounts, quantities, descriptions, and computation and allocation of gains and losses.	_____	_____	_____
C H	7. Determine that income accruing from investments has been properly allocated and recorded.	_____	_____	_____
C H	8. Obtain market values at balance sheet date and investigate significant differences from recorded values to determine if any write-downs are necessary.	_____	_____	_____
B	9. Review GASB Statement No. 3 disclosures.	_____	_____	_____
A C	10. Perform such procedures as necessary to satisfy audit objectives concerning plan investments administered by trustees. (Note: It may be necessary to perform auditing procedures at the trustee's offices.) The extent of the trustee's responsibility for investment decisions, the physical location of available records, and the extent to which relevant	_____	_____	_____

Obj.		Done By	Date	W/P Ref.
	reports of other independent auditors are available.	_____	_____	_____
D	11. For plan assets held by an insurance company:			
	a. Read the contracts between the contract holder and the insurance company.	_____	_____	_____
	b. Confirm with the insurance company:			
	(1). Contributions or premium payments.	_____	_____	_____
	(2). Interest, dividends, refunds, credits, and changes in value and whether such amounts have been charged or credited during the year on an estimated or actual basis.	_____	_____	_____
	(3). The contract value or the fair value of the funds at the plan's year-end and the basis for determining such values.	_____	_____	_____
	(4). The amount of insurance company fees and other expenses.	_____	_____	_____
	(5). Annuity purchases or benefits paid.	_____	_____	_____
	(6). Transfers between funds or accounts.	_____	_____	_____
	c. Reconcile the confirmed balances and transactions with amounts recorded and reported by the client.	_____	_____	_____
	d. Where it appears that records must be evaluated at the insurance company to satisfy audit objectives, consider requesting special purpose reports from the insurance company's independent auditors or internal auditors.	_____	_____	_____
	e. Evaluate compliance with contract terms.	_____	_____	_____
	f. Evaluate reasonableness of amounts credited to the contracts.	_____	_____	_____

Obj.		Done By	Date	W/P Ref.
	g. Evaluate the sufficiency of related note disclosures.	_____	_____	_____
	E. Other Auditing Procedures-Contributions and Related Receivables			
E	1. Obtain a list of participating employers (for multi-employer plans) and test its completeness by comparing the list to appropriate plan documents, statutory requirements, etc.	_____	_____	_____
E	2. Obtain a schedule showing contributions received or receivable sorted by employer and compare to the list of participating employers.	_____	_____	_____
E H	3. Test contribution reports for arithmetic accuracy, use of the proper contribution rates, the use of the proper payroll or salary base amount, and proper posting to cash receipt records and bank statements or trustee reports.	_____	_____	_____
E H	4. Test posting from the employer contribution reports to participant records and from participant records to contribution reports.	_____	_____	_____
E H	5. Reconcile contributions received to the plan's cash receipt records and bank statements or trustee records.	_____	_____	_____
E H	6. Confirm directly with contributors amounts contributed and receivable.	_____	_____	_____
E H	7. Review accruals for conformance with generally accepted accounting principles.	_____	_____	_____
E H	8. Evaluate the reasonableness of the plan's allowance for doubtful accounts.	_____	_____	_____
E	9. Compare contribution rates used to those recommended by the plan's actuary and those required by statute or rule.	_____	_____	_____

Obj.		Done By	Date	W/P Ref.
E	10. Consider the results of the auditing procedures applied to participant data and their effect, if any, on the amounts recorded as contributions and contributions receivable.	_____	_____	_____
E	11. Review note disclosures relative to pension plan contributions and related receivables.	_____	_____	_____
F.	Other Auditing Procedures-Benefit Payments and Payables			
F H	1. For selected participants or beneficiaries receiving benefit payments:			
	a. Evaluate file documentation supporting eligibility and authorizing payments.	_____	_____	_____
	b. Recompute benefit payment amounts and compare to actual payments.	_____	_____	_____
	c. Examine cancelled check as to amount, date, signatures, and endorsements.	_____	_____	_____
	d. Verify proper posting to cash disbursement, participant, and general ledger records.	_____	_____	_____
F	2. For a sample of cancelled benefit payment checks, compare payee, amount, date, signatures, and endorsements to related file documentation authorizing the payment and verify proper posting to cash disbursement, participant, and general ledger records.	_____	_____	_____
F	3. Evaluate the continued eligibility of participants or beneficiaries to whom payments have been made over an unusually long period of time.	_____	_____	_____
F	4. Investigate benefit payment checks which have been outstanding for a long period of time.	_____	_____	_____

Obj.		Done By	Date	W/P Ref.
F	5. Confirm benefit payments with selected participants or beneficiaries and compare confirmation signatures with related file documentation.	_____	_____	_____
F H	6. Evaluate benefit payment accruals for conformance with generally accepted accounting principles.	_____	_____	_____
G. Other Auditing Procedures-Participants Data and Plan Objectives				
E F	1. By reviewing pertinent sections of the pension plan instrument, statutes, or rules, identify participant data which should be tested because of its use in determining vesting, eligibility and/or benefit amounts (for example, demographic data, payroll data, benefit levels and options, etc.).	_____	_____	_____
E	2. For selected participants, verify relevant participant file data by comparing it to corroborative employer records (such as payrolls, employee earnings records, personnel files, etc.).	_____	_____	_____
E F	3. For selected employees, trace payroll data to participant file data.	_____	_____	_____
E F	4. Confirm participant file data with participants.	_____	_____	_____
E	5. Review tests, if any, by the plan administrator of data submitted by employers (for multi-employer plans).	_____	_____	_____
E	6. Consider obtaining a special report from employer auditors concerning the application of procedures similar to those described above.	_____	_____	_____
G	7. With regard to actuarial valuations of defined benefit plans:			
	a. Obtain information concerning the			

Obj.

Done
By Date W/P
 Ref.

professional qualifications and
reputation of the actuarial firm.

b. Obtain an understanding of the actuary's
methods and assumptions.

c. Submit an inquiry to the actuary
concerning:

(1). Whether the actuarial valuation
considers all pertinent provisions of
the plan, including any changes to the
plan or other events affecting the
actuarial calculations.

(2). Relationships between the actuary and
the plan or an employer which may
impair the actuary's objectivity.

(3). Aggregate and selected individual
participant data amounts used in the
actuarial valuations.

(4). Whether the actuary has reviewed the
relevant portions of the financial
statements and agrees with such
information as presented.

d. Verify the accuracy and completeness of
the participant data used in the
actuarial valuations.

E F 8. With respect to defined contribution
plans:

a. Verify that allocations of income or
loss, investment appreciation or
depreciation, administrative expenses,
and forfeitures have been made in
accordance with plan provisions.

b. Employer contributions have been
properly allocated.

c. Employee contributions have been
credited to the proper participant
account and investment medium.

Obj.	Done By	Date	W/P Ref.
d. Verify that the sum of individual accounts reconciles with total net assets available for benefits.	_____	_____	_____
H. Review Procedures - Required Supplementary Information			
1. With regard to 10-year historical trend information, inquire of management as to the methods used in preparing the information including:			
a. Whether it is measured and presented in accordance with the guidelines of GASB.	_____	_____	_____
b. Whether the methods of measurement or presentation have been changed from those of the prior period and the reasons for such changes.	_____	_____	_____
c. Any significant assumptions or interpretations underlying the measurement or presentation.	_____	_____	_____
2. Compare the information for consistency with:			
a. Management's responses to the above inquiries.	_____	_____	_____
b. Audited financial statements.	_____	_____	_____
c. Other knowledge obtained during the examination of the financial statements.	_____	_____	_____
3. Consider whether representations on required supplementary information should be included in the request for the management representation letter.	_____	_____	_____
4. Make additional inquiries if application of the above procedures indicates that the 10-year historical trend information may not be measured or presented in accordance with GASB guidelines.	_____	_____	_____

Obj.

Done
By Date W/P
 Ref.

I. Overall Conclusion

1. In our opinion, we have obtained sufficient evidential matter to provide reasonable assurance that:
 - a. The physical evidences of ownership of investments reported in the financial statements (stock certificates, bonds, notes, etc.) are on hand or held in custody or safekeeping by others for account of the client's pension trust funds;
 - b. Investments and the related income are properly valued, allocated, classified and described in the financial statements;
 - c. Adequate disclosure has been made of the pledging of any investments and credit risks are properly disclosed as required by GASB Statement No. 3;
 - d. Insurance contracts and accounts established to fund employee benefits are appropriately reported in the financial statements;
 - e. The amounts received or due the plan have been determined in accordance with plan requirements and recorded and reported in conformity with generally accepted accounting principles, including the establishment of an appropriate valuation allowance;
 - f. Benefit payment amounts conform to plan provisions;
 - g. Financial statement representations are consistent with actuarial findings;
 - h. Applicable accounting principles have been consistently applied; and,

Done By	Date	W/P Ref.
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Obj.

Done W/P
By Date Ref.

- i. Required supplementary information has been presented in accordance with guidelines established for its presentation and measurement;

Except as follows:

This audit program section has been completed in accordance with firm policy.

Date

Done by

Reviewed by

Obj.

Done W/P
By Date Ref.

XI. Financial Reporting

Financial Statement Assertions

1. Existence or occurrence.
2. Completeness.
3. Rights and obligations.
4. Valuation or allocation.
5. Presentation and disclosure.

Objectives:

- A. The financial statements being reported upon are fairly stated in accordance with generally accepted accounting principles consistently applied, including all required disclosures, or in accordance with another comprehensive basis of accounting (Assertions 1, 2, 3, 4 and 5)
- B. Our report on the examination is appropriately worded, and in conformity with generally accepted auditing standards

NOTE: The letters preceding each of the above audit objectives serve as identification codes. These codes are presented in the objective column when the audit step accomplishes the specific audit objective. If the letter appears in parenthesis, i.e., [A], [B], etc., the audit procedure only secondarily accomplishes the objective.

Procedures:

- A. Evaluation of Internal Control Structure
 1. Review the documentation and conclusions resulting from the steps taken to understand and test the internal control structure policies, procedures, and records relevant to planning the audit of financial reporting.

Obj.		Done By	Date	W/P Ref.
	2. Consider the understanding obtained of the internal control structure, the assessed level of control risk (together with assessment of inherent risk), and the acceptable level of detection risk to determine the nature, timing, and extent of substantive tests.	_____	_____	_____
	3. Revise the audit program, as appropriate, following the consideration of the internal control structure and related audit risks.	_____	_____	_____
	B. Analytical Procedures			
	1. Review the planning procedures applicable to analytical procedures performed on the financial statements and consider the result of the procedures in determining the nature, timing, and extent of other audit procedures.	_____	_____	_____
	2. Revise the audit program, as appropriate, following consideration of the results of the analytical procedures.	_____	_____	_____
	3. If analytical procedures are used for substantive testing purposes, document the basis for the expected relationship, the results of the comparison of the recorded amount to the expectation, and the results of the evaluation of unexpected differences between the recorded amount and the expectation.	_____	_____	_____
	C. Other Auditing Procedures			
A	1. Obtain, or prepare a trial balance of general ledger accounts for the working papers, trace balances to general ledger and foot the trial balance.	_____	_____	_____
A	2. Review client's year-end adjusting journal entries for unusual items.	_____	_____	_____
A	3. Post all adjusting and reclassification	_____	_____	_____

Obj.		Done By	Date	W/P Ref.
	journal entries that have properly been approved by firm and client personnel to the working papers, and give a copy of appropriate entries to the client for posting to the books.	_____	_____	_____
A	4. Prepare a summary of passed adjustments which reflects the net effect of such adjustments on individual fund assets, liabilities, equity, revenue, and expenditures. Determine if the overall effect on each fund type is material and state conclusion in summary. Consider the need for additional audit adjustments.	_____	_____	_____
A	5. Extend trial balances and compare to amounts reported in the financial statements.	_____	_____	_____
A	6. Obtain confirmation letters from the client's attorneys.	_____	_____	_____
	a. Ascertain that replies received are complete and that all contingencies mentioned are considered for possible disclosure in the financial statements.	_____	_____	_____
	b. Obtain opinion as to compliance of the budget adoption and approval process.	_____	_____	_____
A	7. Obtain signed minutes representation letter and ascertain that we have received and reviewed all minutes listed in the letter.	_____	_____	_____
A	8. Obtain signed management representation letter. Include appropriate reference to budget adoption.	_____	_____	_____
A	9. Examine the appropriate statements of economic interests for purposes of review regarding any possible conflicts of interest.	_____	_____	_____
A	10. Examine and schedule surety bonds. Determine legal requirements with regard to adequacy of coverage.	_____	_____	_____

Obj.		Done By	Date	W/P Ref.
A	11. Ascertain that all required disclosures are included in the financial statements or notes. See AICPA <u>Disclosure Checklists for State and Local Governmental Units.</u>	_____	_____	_____
B	12. Ascertain that the independent auditors' report is appropriately worded.	_____	_____	_____
A	13. Have the client review and approve the final draft of the financial statements.	_____	_____	_____
	14. Make appropriate notations regarding matters to be discussed with audit partner, manager, or in-charge auditor.	_____	_____	_____
D.	Overall Conclusions			
	1. In our opinion, we have obtained sufficient and competent evidential matter to provide reasonable assurance that:			
	a. The financial statements being reported upon are fairly stated in accordance with generally accepted accounting principles consistently applied, including all required disclosures, or in accordance with another comprehensive basis of accounting; and,	_____	_____	_____
	b. Our report on the examination is appropriately worded and in conformity with generally accepted auditing standards.			
	Except as follows:			

This audit program section has been completed in accordance with firm policy.

Obj.

Done
By Date W/P
 Ref.
 Date

Done by _____

Reviewed by _____

Done	Date	W/P
By		Ref.

XII. Budget Compliance

I. Audit Procedures to Test Budgetary Compliance

- | | | | |
|--|-------|-------|-------|
| A. Examine evidence of monitoring process for budgetary controls. | _____ | _____ | _____ |
| B. Review evidence of corrective action taken on significant variations from budget noted from the monitoring process. | _____ | _____ | _____ |
| C. Review documentation of interim changes to budgeted reviews. | _____ | _____ | _____ |
| D. Compare prior year's actual expenditures and revenues to current budget. | _____ | _____ | _____ |
| E. Compare interim budget reports with actual results for evidence of noncompliance. | _____ | _____ | _____ |
| F. For any material excess of expenditures over appropriations in individual funds: | | | |
| 1. Determine whether such excess constitutes a violation of law. | _____ | _____ | _____ |
| 2. Determine whether such excess has adequately been disclosed. | _____ | _____ | _____ |
| G. Review reconciliation of budgetary and GAAP bases. | _____ | _____ | _____ |

This audit program section has been completed in accordance with firm policy.

Date

Done by

Reviewed by

Obj.

Done
By Date W/P
Ref.

XIII. Subsequent Events

Financial Statement Assertions

1. Existence or occurrence.
2. Completeness.
3. Rights and obligations.
4. Valuation or allocation.
5. Presentation and disclosure.

Objectives:

- A. There are no significant unrecorded liabilities as of the date of the balance sheet (Assertions 2, 3 and 5)
- B. The effect of any significant or unusual transactions occurring during the period from the balance sheet date to the date of our report is adequately considered or disclosed in the financial statements (Assertions 1, 2, 4 and 5)

NOTE: The letters preceding each of the above audit objectives serve as identification codes. These codes are presented in the objective column when the audit step accomplishes the specific objective. If the letter appears in parenthesis, i.e., [A], [B], etc., the audit procedure only secondarily accomplishes the objective.

Procedures:

A. Review Procedures

1. For period following balance sheet date, perform the following procedures in the areas summarized below. This audit program is not to be considered an all-inclusive summary of procedures to be performed but only a guide; the industry,

Obj.

Done
By Date W/P
Ref.

accounting procedures, and internal control structure of the local government should be considered in determining the nature and extent of the review.

- 2. Attach a memorandum setting forth other records reviewed, steps performed, and your conclusions regarding the above subsequent events review.

B. Scope of Review

From: _____ (Audit Date)

To: _____ (Report Date - Last Date of Significant Work)
Field

- A 1. For vouchers recorded in subsequent period, account for all serial numbers for subsequent period (No. _____ to No. _____) and examine vouchers over \$_____ for unrecorded liabilities.

- A 2. For vendors' invoices in process of being recorded at date of report, scan invoices and examine invoices over \$_____ for unrecorded liabilities.

- A B 3. Check register:

- a. Account for all checks issued in subsequent period (No. _____ to No. _____).

- b. Scan check register or numerical checkfile in subsequent period for amounts over \$_____ not supported by voucher.

- c. Examine support for items over \$_____ noted in 3.b. for unrecorded liabilities.

- B 4. Review interim financial statements for period subsequent to balance sheet date

Obj.		Done By	Date	W/P Ref.
	and relate them to statements being reported on as well as to statements for comparable prior periods. Investigate any significant differences, results, events, or changes in accounting method.	_____	_____	_____
B	5. Review all journal entries and scan general ledger for subsequent period for any large (\$_____) or unusual entries and obtain explanation of entries noted.	_____	_____	_____
B	6. Review cash receipts summaries and review cash receipts data not entered in cash receipts summary for the subsequent period for large (\$_____) or unusual items and obtain explanation.	_____	_____	_____
A B	7. Review minutes of governing body and important committee meetings. (Note: Where minutes have not been prepared in final form, obtain draft copies or inquire as to what transpired in the meetings.)	_____	_____	_____
A B	8. Inquire of responsible officials as to the following items (attach memorandum or comments regarding significant matter discussed):			
	a. Receivables:			
	(1). Exceptional bad debt losses.	_____	_____	_____
	b. Property and equipment:			
	(1). Purchase or sale of major plant/equipment.	_____	_____	_____
	(2). Commitments or plans for major purchases or sales of plant/equipment.	_____	_____	_____
	(3). Loss of plant/equipment due to fires, abandonment, etc.	_____	_____	_____
	c. Liabilities:			
	(1). New borrowings, including important			

Obj.		Done By	Date	W/P Ref.
	covenants agreed to in connection therewith.	_____	_____	_____
	(2). Liabilities in dispute or being contested, such as creditors' invoices.	_____	_____	_____
	d. Litigation:			
	(1). Pending lawsuits and/or settlements of lawsuits.	_____	_____	_____
	(2). Wage negotiations or strikes in progress or pending.	_____	_____	_____
	(3). Penalties assessed (such as environmental type penalties)	_____	_____	_____
	(4). Loss of significant grant funds or notices of potential disallowances.	_____	_____	_____
	e. Other matters:			
	(1). Changes in accounting and/or financial policies.	_____	_____	_____
	(2). Illegal acts.	_____	_____	_____
	(3). Others (list as applicable):			

	9. Make appropriate notations regarding matters to be discussed with audit partner, manager, or in-charge auditor.	_____	_____	_____
	C. Overall Conclusions			

Obj.

Done W/P
By Date Ref.

1. In our opinion, we have obtained sufficient and competent evidential matter to provide reasonable assurance that:

- a. There are no significant unrecorded liabilities as of the date of the balance sheet; and,
- b. The effect of any significant and/or unusual transactions occurring during the period from the balance sheet date to the date of our report is adequately considered and/or disclosed in the financial statements;

Except as follows:

This audit program section has been completed in accordance with firm policy.

Date

Done by _____

Reviewed by _____

Obj.

Done
By Date W/P
 Ref.

XIV. Federal Financial Assistance (Single Audit)

Financial Statement Assertions

1. Existence or occurrence.
2. Completeness.
3. Rights and obligations.
4. Valuation or allocation.
5. Presentation and disclosure.

Objectives:

- A. The financial statements of the entity are presented in conformity with GAAP.
(Assertions 1, 2, 3, 4 and 5)
- B. The local government's internal control structure provides reasonable assurance that it is managing Federal and state financial assistance programs in compliance with applicable laws and regulations.
(Assertions 1 and 2)
- C. The local government has complied with laws and regulations that have a material effect upon the financial statements and upon each major federal and state financial assistance program. (Assertions 1, 2 and 3)

NOTE: The letters preceding each of the above audit objectives serve as identification codes. These codes are presented in the objective column when the audit step accomplishes the specific objective. If the letter appears in parenthesis, i.e., [A], [B], etc., the audit procedure only secondarily accomplishes the objective.

Procedures:

- A. Audit Planning

Obj.

Done
By Date W/P
 Ref.

1. Review applicable laws, regulations, and other references governing performance of the single audit of Federal financial assistance (see Appendix A).

2. Obtain a copy of the local government's single audit report from the preceding year. Make note of Federal programs, reportable conditions relating to the internal control structure, and any compliance findings. Obtain copy of client's corrective action plan. Determine if any state programs are to be included in the audit scope.

3. Review and discuss with responsible local government officials the procedures used to administer Federal programs.

4. Obtain a schedule of Federal financial assistance, reconcile the schedule to the general accounting records, and:
 - a. Determine that the schedule includes all types of Federal assistance as defined by OMB Circular A-128, paragraph 5.b.

 - b. Determine that the schedule reports Federal "programs," not individual grants. Federal programs are defined in the Catalog of Federal Domestic Assistance.

 - c. Determine the entity for Single Audit purposes.

 - d. Contact the cognizant agency and receive input on important areas.

 - e. Determine that the schedule shows at a minimum:
 - (1). The program title and the CFDA number for each program, unless the program is not included in the Catalog of

Obj.

Done
By Date W/P
 Ref.

Federal Domestic Assistance. Those programs not included in the Catalog should be shown as other Federal assistance;

(2). Total expenditures for each Federal program by grantor, department, or agency; and,

(3). Total Federal financial assistance expenditures.

5. Rank the federal programs in descending order by expenditure amount, determine the major program threshold, and identify the major Federal financial assistance programs.

6. For testing internal controls: If expenditures for all major programs do not exceed 50 percent of total Federal financial assistance program expenditures, or if the local government has no major Federal financial assistance programs, select the largest nonmajor programs until at least 50 percent of total Federal financial assistance expenditures are included.

7. Review samples selected during tests of the internal control structure and the examination of the general purpose financial statements and identify nonmajor program transactions included therein.

8. Prepare a working paper showing the Federal programs to be subjected to further auditing procedures and indicate the nature of the procedures to be applied to each program. Such procedures may include:

a. "Preliminary review" of the internal control structure (required for all Federal programs; however, see PCIE Position Statement No. 3 that provides

Obj.

Done
By Date W/P
 Ref.

- for the rotation of nonmajor programs on a 3-year basis for purposes of the preliminary review of the internal control structure).
-
- b. Internal control structure evaluation (required for all major programs and nonmajor programs selected pursuant to the "50 percent rule").
-
- c. Program compliance review (required for all major programs to determine compliance with laws and regulations material in effect to the respective program).
-
- d. Transaction compliance review (required for nonmajor program transaction selected for testing as a result of the audit of the general purpose financial statements).
-
9. Obtain a copy of grant agreements for those Federal and state programs selected for testing from the permanent file. Review the documents for unusual provisions, budgets, or other items of significance. Also, locate other sources of compliance information, for example the OMB Compliance Supplement for Single Audits of State and Local Governments, specific program regulations, the Catalog of Federal Domestic Assistance, etc.
-
10. While testing internal controls, obtain an understanding of the possible effects on each major program (and the largest nonmajor programs if the 50% rule must be applied) of applicable program laws, rules, and regulations. Document this understanding by listing those laws, rules, and regulations which may have a material effect on the allowability of program expenditures in the event of substantial noncompliance. These laws, rules, and regulations shall be considered

Obj.		Done By	Date	W/P Ref.
	during the evaluations of administrative controls, tests of transactions, and other procedures deemed necessary (e.g., tests of compliance with matching requirements).	_____	_____	_____
11.	Determine if the local government has an indirect cost allocation plan.	_____	_____	_____
12.	Determine the extent to which grantor funds have been disbursed to subrecipients.	_____	_____	_____
13.	Discuss with client the format desired for the Single Audit Report (included in the CAFR, separate Single Audit Report, etc.).	_____	_____	_____
B. Internal Control Evaluation				
1.	Identify the significant categories of internal accounting and administrative controls.	_____	_____	_____
2.	For major and nonmajor programs perform a review sufficient to obtain a basic understanding of the control environment and the flow of transactions. (Note: For purposes of the "preliminary review" of controls, PCIE Position Statement No. 3 provides for the rotation of nonmajor programs on a 3-year cycle, with approval.)	_____	_____	_____
3.	For major programs (and selected nonmajor programs selected pursuant to the "50% rule"), perform an evaluation of the internal control structure as a part of the examination of the client's financial statements and as a part of the review of the controls used in administering Federal assistance programs. (Note: the following steps are applicable for the evaluation of internal controls (accounting) as a part of the examination of the general purpose financial statements and for the evaluation of internal controls (accounting and	_____	_____	_____

Obj.

Done
By Date W/P
 Ref.

administrative) used in the administration of Federal assistance programs).

a. Obtain an understanding of the design of relevant policies and procedures and whether they have been placed in operation for the control environment, accounting system, and control procedures. This includes, but is not limited to, a review of the client's procedures for Federal assistance regarding:

- (1). Budgeting;
- (2). Expenditure preaudit and approval;
- (3). Segregation of duties;
- (4). Adequate safeguarding of access to and use of assets;
- (5). Processing of subgrants of Federal funds; and,
- (6). The requesting of reimbursement or advance of Federal funds.
- (7). The need to evaluate the employee's understanding of the requirements that they administer.

b. Document the understanding of the internal control structure obtained. The review of internal controls should include administrative controls as well as accounting controls. Administrative controls include the following general and specific categories:

General Requirements:

- (1). Political activity;
- (2). Davis-Bacon Act;

Obj.		Done By	Date	W/P Ref.
	(3). Civil rights;	_____	_____	_____
	(4). Cash management;	_____	_____	_____
	(5). Relocation assistance and real property acquisition; and,	_____	_____	_____
	(6). Federal financial reports.	_____	_____	_____
	(a). <u>Specific Requirements</u>			
	(1). Types of services;	_____	_____	_____
	(2). Eligibility;	_____	_____	_____
	(3). Matching, level of effort;	_____	_____	_____
	(4). Reporting;	_____	_____	_____
	(5). Cost allocation;	_____	_____	_____
	(6). Special requirements, if any;	_____	_____	_____
	(7). Monitoring subrecipients.	_____	_____	_____
	c. Perform tests of controls, assess the audit risk, and revise audit programs as appropriate. Document the basis for conclusions.	_____	_____	_____
	C. Compliance Procedures			
A	1. For selected grants determine that grant receipts were properly recorded, classified, and that requests were according to grant conditions.	_____	_____	_____
	a. Review receipts issued shortly before and shortly after year-end to determine that all cash collected has been recorded in the proper period.	_____	_____	_____
A [C]	2. For each major Federal and state program, select a sample of expenditures charged and determine whether:			

Obj.		Done By	Date	W/P Ref.
	a. Expenditures appeared reasonable and necessary for the program;	_____	_____	_____
	b. Expenditures were for allowable charges under the terms of the program and were adequately documented;	_____	_____	_____
	c. Expenditures were properly authorized and recorded as to program, account, amount, and period;	_____	_____	_____
	d. Records document that those who received services or benefits were eligible to receive them.	_____	_____	_____
	e. Expenditures were in accordance with the provisions of OMB <u>Compliance Supplement for Single Audits of State and Local Governments</u> applicable to the particular transaction;	_____	_____	_____
	f. Expenditures were in accordance with the provisions of OMB Circular A-87 applicable to the particular transaction;	_____	_____	_____
	g. Expenditures were in accordance with the provisions of OMB Circular A-102 and the "Common Rule" to the extent applicable to the grantor and the particular transaction; and,	_____	_____	_____
	h. Expenditures were in accordance with applicable State laws and program requirements.	_____	_____	_____

C 3. For each major Federal and state program and selected nonmajor Federal programs, as applicable, perform general (see supplemental audit program on general requirements) and specific compliance tests. List programs and attach separate work programs based on the Compliance Supplement for Single Audits of State and Local Governments or other sources (grants agreements, etc.):

Obj.		Done By	Date	W/P Ref.
	a. _____	_____	_____	_____
	b. _____	_____	_____	_____
	c. _____	_____	_____	_____
	d. _____	_____	_____	_____
C	4. Determine that nonmajor program transactions tested as part of examination of the general purpose financial statements comply with the laws and regulations applicable to each of the respective transactions. This includes the following:			
	a. Expenditures appeared reasonable and necessary for the program;	_____	_____	_____
	b. Expenditures were for allowable charges under the terms of the program and were adequately documented;	_____	_____	_____
	c. Expenditures were properly authorized and recorded as to account, amount, and period.	_____	_____	_____
	d. Records document that those who received services or benefits were eligible to receive them; and,	_____	_____	_____
	e. Amounts were determined according to Circular A-87 and Circular A-102.	_____	_____	_____
	D. Test of Subrecipient Compliance			
	1. If the local government does not have any subrecipients (receiving at least \$25,000) of Federal programs, check here ___ and omit the balance of this section.	_____	_____	_____
C	2. Determine all subrecipients receiving at least \$25,000.	_____	_____	_____
C	3. Review the local government's controls established to monitor that the			

Obj.		Done By	Date	W/P Ref.
	subrecipient spent the Federal funds in compliance with applicable laws and regulations. (OMB Circulars A-87, A-102, and A-128)	_____	_____	_____
C	4. Determine that the local government monitored the subrecipient audit reports (the subrecipient must meet the audit requirements of A-110 or A-128) or has taken any corrective measures required.	_____	_____	_____
	E. Test of Indirect Cost Allocation Plan			
	1. If the local government does not have an indirect cost plan, check here ___ and omit the balance of this section.	_____	_____	_____
C	2. Determine that the local government's indirect cost plan contains the following: basis for establishment of an indirect cost rate, list of costs to be allocated and method used for allocation.	_____	_____	_____
C	3. Review reasonableness of indirect cost allocations by reference to approved plans and to prior period amounts and the budget.	_____	_____	_____
C	4. If indirect costs are charged to Federal programs, test the costs to determine that they were accumulated in conformity with the indirect cost allocation plan.	_____	_____	_____
C	5. Determine that the indirect costs included in the pool were not charged directly to other projects.	_____	_____	_____
C	6. Determine that the indirect costs rate used is the same as the rate in the local government's cost allocation plan.	_____	_____	_____
C	7. Examine rate determination workpapers for inclusion of indirect costs.	_____	_____	_____
C	8. Examine cost reimbursement requests for indirect cost inclusion.	_____	_____	_____

Obj.		Done By	Date	W/P Ref.
C	9. Compare overhead allocation by department or agency to prior year and current budget.	_____	_____	_____
C	10. For other procedures to be performed, as appropriate, see ASLGU 22.31 and OMB Questions and Answers to OMB Circular A-128.	_____	_____	_____
C	11. Determine that statistical data included in the bases are current and reasonable.	_____	_____	_____
C	12. Determine that allocated costs were included within the period under audit.	_____	_____	_____
F. Property				
A	1. For selected property items acquired with grant funds, review the property records to determine that the records include a description of the property, a serial number or other identification number, the source of the property, who holds title, acquisition date, cost, location, use and condition of the property, percentage of Federal participation, and disposition data.	_____	_____	_____
	2. Determine that title to the property has been properly recorded in the government's name.	_____	_____	_____
	3. Determine that a physical inventory of property is taken and reconciled to the property records at least once every two years.	_____	_____	_____
	4. For property dispositions, review supporting documentation to ascertain the conditions of disposition and determine that any required settlements have been made with the awarding agency.	_____	_____	_____
G. Reporting on Federal and State Financial Assistance				

	Done By	Date	W/P Ref.
1. Determine that we have requested confirmation letters from the client's attorneys which included references to the Single Audit. Ascertain that replies are complete and that all contingencies are mentioned, as well as any issues of noncompliance with Federal regulations, are considered for possible disclosure in the Single Audit Report.	_____	_____	_____
2. Determine that the signed management representation letter(s) contained references regarding Single Audit representations.	_____	_____	_____
3. If the local government requests that the Report on Federal and State Financial Assistance be included with their annual financial statements, prepare the Independent Auditor's Report on such financial statements and determine that it is appropriately worded and dated.	_____	_____	_____
4. If the client requests a separate Report on Federal and State (if applicable) Financial Assistance, prepare the Independent Auditor's Report on the schedule of Federal and State financial assistance.	_____	_____	_____
5. Prepare the schedule of findings and questioned costs. (See Appendix D.)	_____	_____	_____
6. Prepare the Independent Auditor's Report on the internal control structure based on an evaluation made as part of the examination of the general purpose financial statements.	_____	_____	_____
7. Prepare the Independent Auditor's Report on internal accounting and administrative controls required by the Single Audit Act.	_____	_____	_____
8. Prepare the Independent Auditor's Report on compliance with laws and regulations that may have a material effect on the general purpose financial statements.	_____	_____	_____

Obj.	Done By	Date	W/P Ref.
9. Prepare the Independent Auditor's Report on compliance required by the Single Audit Act.	_____	_____	_____
10. Review the Single Audit Report draft with appropriate local government officials.	_____	_____	_____
H. Overall Conclusion			
1. In our opinion, we have obtained sufficient and competent evidential matter to provide reasonable assurance that:			
a. The local government has complied with laws and regulations that may have a material effect upon the financial statements;	_____	_____	_____
b. That the local government's internal control structure provides reasonable assurance that the local government is managing its Federal programs according to the applicable laws and regulation;	_____	_____	_____
c. That the local government has complied with laws and regulations that may have a material effect upon each major Federal and state program, according to generally accepted auditing standards, the provisions of <u>Government Auditing Standards</u> , promulgated by the U.S. General Accounting Office, as they pertain to financial audits, the Single Audit Act of 1984 (Pub. Law No. 95-502) the provisions of the Office of Management and Budget's Circular No. A-128, <u>Audits of State and Local Governments</u> , and the <u>Compliance Supplement for Single Audits of State and Local Governments</u> , except as follows:			

_____	_____	_____	_____

Obj. Done W/P
By Date Ref.
This audit program section has been completed in accordance with firm policy.

Date

Done by _____

Reviewed by _____

XV. Financial Assistance Supplement

NOTE: Completion of this audit program is required only when the local government has major programs defined under the Single Audit Act.

A. Test of General Compliance Requirements

1. Political Activity

Compliance Requirement - Federal funds cannot be used for partisan political activity of any kind by any person or organization involved in the administration of federally-assisted programs. (Hatch Act (5 U.S.C. 1501-1508) and Intergovernmental Personnel Act of 1970 as amended by Title 42 U.S.C., Section 4728).

Auditing Procedures

- a. Review the Government's system for monitoring whether FFA is used for political activity and evaluate for adequacy. _____
- b. Test the expenditures and related records for indications of lobbying activities, publications, or other materials intended for influencing legislation or similar type costs. _____
- c. Test the personnel and payroll records, and identify persons whose responsibilities or activities include political activity. _____
- d. Test whether the above costs, if any exist, are charged directly or indirectly, to federally-assisted programs. _____

2. Davis-Bacon Act

Compliance Requirement - When required by the Federal grant program legislation, all laborers and mechanics employed by contractors or subcontractors to work on construction projects

Done	W/P
By	Date Ref.

financed by Federal assistance must be paid wages not less than those established for the locality of the project by the Secretary of Labor. (46 Stat 1494, Mar. 3, 1931, Chap. 411, 40 U.S.C. 276A-276A-5)

Auditing Procedures

- | | | | |
|---|-------|-------|-------|
| a. Identify the programs involving construction activities. | _____ | _____ | _____ |
| b. Review selected construction contracts and subcontracts and determine whether they contain provisions requiring the payment of "prevailing" wages. | _____ | _____ | _____ |
| c. Review the Government's system for monitoring applicable contractors and subcontractors with respect to payment of prevailing wages and evaluate for adequacy. | _____ | _____ | _____ |
| d. Review the monitoring system for contracts for selected programs and determine whether there is adherence to prescribed procedures. | _____ | _____ | _____ |
| e. For Governments who have not developed a system, or whose system is not operating effectively: | | | |
| (1). Obtain the "local" DOL wage determination from the recipient, the architect/engineer (A/E) managing the project, or DOL. | _____ | _____ | _____ |
| (2). Obtain payroll lists from contractors and review wages paid. | _____ | _____ | _____ |
| (3). Determine whether wages paid conform to the prevailing wages. | _____ | _____ | _____ |

3. Civil Rights

Compliance Requirement - No person shall, on the grounds of race, color, national origin, age, or handicap, be excluded from participation in or be subjected to discrimination in any

Done	W/P
By	Date Ref.

program or activity funded, in whole or in part, by Federal funds. Discrimination on the basis of sex or religion is also prohibited in some Federal programs. (age--42 U.S.C. 6101 et seq.; Race--42 U.S.C. 2000d; Handicap--29 U.S.C. 784.)

Auditing Procedures

- | | | | |
|--|-------|-------|-------|
| <p>a. Determine whether the governmental unit has announced a formal policy of nondiscrimination.</p> | _____ | _____ | _____ |
| <p>b. For recipients employing 15 or more persons, ascertain whether a person has been designated to oversee civil rights compliance.</p> | _____ | _____ | _____ |
| <p>c. Ascertain from the grant agreement(s) whether any of the programs contain prohibitions against discrimination on the basis of sex or religion.</p> | _____ | _____ | _____ |
| <p>d. Ascertain the number of complaints filed with Federal, state or local agencies responsible for ensuring nondiscrimination in government programs during the fiscal year; the status of unresolved complaints or completed investigations.</p> | _____ | _____ | _____ |
| <p>e. Ascertain whether any of the programs contain prohibitions against discrimination in employment; for those programs (1) review the annual report filed with the Equal Employment Opportunity Commission (EEOC), if any, and (2) ascertain the number of complaints and investigations, and the actions taken on resolved complaints or completed investigations.</p> | | | |
| <p>(1). Review the annual report, if any, filed with the Equal Employment Opportunity Commission (EEOC).</p> | | | |
| <p>(2). Ascertain the number of complaints and investigations, and the actions taken on resolved complaints or completed investigations.</p> | | | |

Done	W/P
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f. Determine whether facilities financed by Federal funds that are required to be located in a nondiscriminatory manner are so located.

g. Obtain representation and/or attorney letters to determine if any civil rights suits have been adjudicated or are pending.

4. Cash Management

Compliance Requirement - Grantee financial management systems shall include procedures to minimize the time elapsed between the transfer of funds from the U.S. Treasury and disbursement of funds by the Grantee.

Advances made by primary recipients to secondary recipients shall conform substantially to the same standards of timing and amount as apply to advances by Federal agencies to primary recipient organizations.

(OMB Circular A-102; Intergovernmental Cooperation Act of 1968, P.L. 90-577 (sec. 403), as amended by P.L. 96-470, Title I, Section 10-1(b)).

Auditing Procedures

a. Review the Government's cash forecasting process and evaluate for adequacy.

b. Review the Government's system for requesting Federal funds and evaluate whether it is adequate to keep Federal Cash disbursements limited to the Government's immediate needs.

c. For selected grant programs, determine dates and amounts for selected advances, drawdowns, and other receipts of Federal funds and compare to the dates the funds were disbursed or checks were presented to the banks for payment.

d. For the same programs, evaluate the size of the balances in relation to the program's needs.

Done	Date	W/P
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e. Review the Government's system for monitoring advances and payment requests by secondary recipients. Evaluate whether the system is sufficient to limit payments to amounts needed to meet immediate cash requirements.

f. Review selected cash reports submitted by subrecipients and determine if the reports show large amounts of excess cash. If they do, ascertain why.

5. Relocation Assistance and Real Property Acquisition

Compliance Requirements

Federal aid programs may require the acquisition of property by a public agency and subsequent displacement of households and businesses.

Grant recipients acquiring property in the administration of Federal aid must carry out certain actions systematically, e.g., have property appraised in presence of owner, review appraisals, set price and negotiate settlements. Similarly, when displacement (relocations) are involved, the recipient must, for example, provide assistance systematically in locating replacement housing, assure that it meets acceptable standards and maintain records on all acquisitions and displacements (Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA) (P.L. 91-646)).

Auditing Procedures

a. Ascertain whether the recipient is administering a Federal or federally-assisted program that involves the acquisition of property or the displacement of households or businesses by a public agency.

b. Review the organization's system for compliance with relocation assistance and real property acquisition requirements and evaluate for adequacy.

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- c. Review the monitoring system for relocation and acquisition activity for selected programs and determine whether there is adherence to the prescribed procedures.

6. Federal Financial Reports

Compliance Requirement - Most Federal programs require the periodic submission of financial reports that fall within one or more of the following three categories. The specific requirement for each grant program is presented in the Reporting Requirements (III-D) section for that program. The suggested audit procedures are provided below to facilitate the requirements for the auditor under A-128, OMB Circular A-102, "Grants and Cooperative Agreements with State and Local Governments"; and Treasury Circular 1075, "Withdrawal of Cash from the Treasury for Advances under Federal Grant and Other Programs":

- a. OMB Circular A-102 and the "Common Rule," list four required financial reports that apply to most of the programs described in this document.
 - (1). Financial Status Report (SF 269 or SF 269a)
- Reports status of funds for all non-construction programs.
 - (2). Request for Advance or Reimbursement (SF 270) - Request funds for non-construction programs when advance letter of credit or predetermined advance payments are not used.
 - (3). Outlay Report and Request for Reimbursement for Construction Programs (SF 271) - Requests for reimbursements and reports status of funds for construction programs.
 - (4). Report of Federal Cash Transaction (SF 272)
- Reports cash transactions and balances for Grantees receiving cash by letter of credit or treasury checks.

Done		W/P
By	Date	Ref.

b. Treasury Circular 1075 lists two alternative cash management reports, one of which applies to each program financed through letters of credit:

- (1). Request for Payment on Letter of Credit and Status of Funds Report (SF 183)
- (2). Payment Voucher on Letter of Credit (TFS 5041).

c. Certain Federal agencies have received OMB approval to adapt the above reports or require other financial reports to meet their particular program needs.

Auditing Procedures

- (1). Review the procedures for preparing the Federal financial reports and evaluate for adequacy. _____
- (2). Sample Federal financial reports for each material program and review for completeness and timeliness of submission. _____
- (3). Trace data to the supporting documentation, i.e., worksheets, ledgers, etc. _____
- (4). Review adjustments made to the general ledger amounts in the report affecting Federal programs and evaluate for propriety. _____

This audit program section has been completed in accordance with firm policy.

Date

Done by

Reviewed by

Appendix A--Auditing and Reporting Concerns

During an audit engagement, the auditor should be aware that often there are signals that may indicate a potential audit or reporting problem. Some signals or indicators may suggest the need to modify audit procedures.

Listed below are examples of indicators the auditor may encounter in an audit of a governmental unit. It should be noted that the existence of a particular indicator does not necessarily mean there is a problem requiring extended audit procedures. The list, however, should be considered by the auditor in performing analytical procedures and in designing his/her audit procedures.

Items Highlighted Through Review of Financial Ratios or Statistics

- o Revenue-based indicators:
 - Decreasing value of taxable property.
 - Increasing ratios of delinquent taxes to total tax levy.
 - Increasing ratios of maximum legal tax rates.
 - Increasing ratios of actual revenues below budgets.
 - Litigation relative to equalization of assessment actions.
- o Expenditure-based indicators:
 - Increasing excesses of expenditures over revenues.
 - Increasing incidence of actual expenditures in excess of budgets.
 - Continuing increases in amount of unfunded vested benefits of pension programs.
- o Cash management indicators:
 - Increasing amounts of aggregate short-term investments.
 - Increasing amounts of unpaid current obligations.
 - Decreasing income from short-term investments (that are not a result of falling interest rates).
- o Debt Indicators:
 - Increasing ratio of bond indebtedness to total property

value.

- Increasing need to borrow to meet debt service requirements.
- Increasing use of long-term debt to fund current expenditures.
- Increasing amount of short-term borrowing remaining unpaid at the end of the fiscal year.

Nonfinancial Indicators

- o Client Personnel:
 - Rapid turnover.
 - Management changes.
 - Weak financial personnel.
 - Unfilled positions due to budget limitations.
 - Internal auditors performing "special tasks" rather than auditing.
- o Client relationships with auditors:
 - Accounting and reporting disputes.
- o Weaknesses in accounting information system.
 - Lack of internal controls.
 - Poor cutoffs.
 - Reports not issued on a timely basis.
 - Inability to reconcile detailed records to general ledger balances.
 - Large number of exceptions in transactions or confirmations.
 - Client's inability to prepare meaningful analyses of activity.
 - Lack of timely or no budget status reports.
- o External Considerations (e.g., economy, industry):

- Large industrial plant closing or moving from community.
- Environmental legislation or pressures.
- Difficulty in issuing debt securities.

Appendix B--Federal Transaction Test Criteria

The following criteria are those that often are applied during the audit of Federal transactions. Those criteria are presented as examples only. Judgment must be used to determine the test criteria to be applied to a particular Federal program or transaction.

1. Was the expenditure contemplated in the approved budget?
2. Were only costs applicable to the Federal Financial Assistance Program charged?
3. Was the expenditure made in accordance with specific program compliance requirements and other limitations or exclusions in the Federal assistance agreement?
4. Was the classification of direct or indirect charges in accordance with cost allocation plan(s) or grant agreements?
5. Was prior approval obtained from the Federal granting agency, if appropriate?
6. Was there adequate documentaion supporting the expenditure, including all authorization signatures, evidence of preaudits, etc?
7. Does the expenditure appear to be necessary and reasonable and "benefit" or assist in the accomplishment of the goals of the Federally assisted program?
8. Was the expenditure properly coded and recorded?
9. Were capital expenditures properly recorded in the property records and identified as required by Federal administrative guidelines, specific program compliance requirements, and Federal assistance agreements?
10. Do assets acquired with the sample Federal expenditure exist and are they being used for the purpose for which they were acquired?
11. Was the expenditure given consistent accounting treatment and applied uniformly and equitably to all benefitting activities/programs, both Federally assisted and otherwise?
12. Was the expenditure net of any applicable credits?
13. Was the expenditure incurred during the authorized grant period or authorized extension thereto?
14. Were the charges incurred in accordance with competitive purchasing

procedures, if applicable?

15. If an expenditure was in violation of any Federal regulations or grant agreement terms and the auditee has asserted that such violations were approved by the Federal grantor agency, was such approval documented in writing by the Federal agency?

Appendix C--Criteria for Determining Questioned Costs

Criteria established to determine and report questioned costs vary from one Federal agency to another. Many of the criteria are imposed by Congress at the time programs are authorized and funds are provided; however, other criteria are established through Federal agency regulations. Generally, the criteria for determining and reporting questioned costs are as follows:

- o Unallowable costs. Certain costs are specifically unallowable under the general and special award conditions or agency instructions. (They include, but are not limited to, pregrant and postgrant costs and costs in excess of the approved grant budget either by category or in total.)
- o Undocumented costs. Costs are charged to the grant for which adequate detailed documentation does not exist, for example, to demonstrate their relationship to the grant or the amounts involved.
- o Unapproved costs. Costs that are not provided for in the approved grant budget, or costs for which the grant or contract provisions or applicable cost principles require the awarding agency's approval, but for which the auditor finds no evidence of approval.
- o Unreasonable costs. Costs incurred that may not reflect the actions that a prudent person would take in the circumstances, or assigning an unreasonably high valuation to in-kind contributions.

AAM Section 5610

**Suggested Supplemental Reference Materials for Use With
Illustrative Audit Programs for State and Local Governmental Units**

.01 Suggested Supplemental Reference Materials

American Institute of Certified Public Accountants (AICPA)

Codification of Statements on Auditing Standards

Audit and Accounting Guide - Audits of State and Local Governmental Units
(Revised Edition, 1986)

Audit and Accounting Guide - Audit Sampling

Audit and Accounting Guide - The Auditor's Study and Evaluation of
Internal Control in EDP Systems

Audit and Accounting Guide - Audits of Employee Benefit Plans

Technical Practice Aids, Section 6955 - Single Audit Act of 1984

Ethics Interpretation 501-3 - "Failure to Follow Standards and/or
Procedures or Other Requirements in Governmental Audits"

Interpretation of SAS 22 - Planning Considerations for an Audit of a
Federally-Assisted Program (AU Section 9311.04)

Statement 1 on Quality Control Standards

Disclosure Checklists for State and Local Governmental Units

Governmental Accounting Standards Board

Codification of Governmental Accounting and Financial Reporting
Standards, June 15, 1987

Office of Management and Budget

Circular A-50 Revised: Audit Follow-up (9-82)

Circular A-87 Revised: Cost Principles for State and Local Governments
(1-81) (Formerly FMC 74-4)

Circular A-102: Grants and Cooperative Agreements With the State and
Local Governments (March 11, 1988)

Office of Management and Budget--continued

Circular A-110: Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations (7-76)

Circular A-122: Cost Principles for Nonprofit Organizations (7-80)

Circular A-128: Audits of State and Local Governments (4-85)

Questions and Answers on the Single Audit Provisions of OMB Circular A-128, "Audits of State and Local Governments" - November 1987

Catalog of Federal Domestic Assistance

Compliance Supplement for Single Audits of State and Local Governments-Uniform Requirements for Grants to State and Local Governments (Revised April 1985)

General Accounting Office

Government Auditing Standards (1988 Revision)

U. S. Department of Education

Compliance Requirements for Selected ED Programs Not Included in OMB Compliance Supplement (1-30-85)

Student Financial Assistance Programs Audit Guide: May 1988

President's Council on Integrity and Efficiency (Single Audit Committee)

Federal Cognizant Agency Audit Organization Guidelines (including PCIE Position Statements)

Other

Public Law 98-502, Single Audit Act of 1984

Intergovernmental Cooperation Act

Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments - "Common Rule" - Published March 11, 1988, Federal Register with individual Federal Agency Actions

Other--continued

Applicable Federal Rules and Regulations

Applicable State Laws and Administrative Rules and Regulations

AAM Section 9230

Partner's Engagement Review Program for Local Governmental Units

Yes No N/A

I. General Audit Procedures

A. .010 General

1. In planning the audit engagement, did the firm properly consider:

a. Matters affecting the government, such as specialized accounting practices, economic conditions, Federal and State laws and regulations, and technological changes?
(SAS No. 22; AU section 311)

b. Definition of the reporting entity indicating the related organizations, functions, and activities which are either included or excluded from the financial statements in accordance with GASB Cod. Sec. 2100?

c. Preliminary judgment about materiality levels for audit purposes?
(SAS No. 47; AU section 312)

d. Anticipated reliance on internal control structure?
(SAS No. 47; AU section 312)

e. Conditions that may require extension or modification of audit tests, such as the possibility of material errors or irregularities and management's ability to override controls?
(SAS No. 53; AU section 316)

f. Factors affecting the continued functioning of the government, such as legal limitations on revenue, expenditures, or debt service?

g. Other audit risks?

2. If the firm succeeded a predecessor accountant, did it:

Yes No N/A

- | | | | |
|--|-------|-------|-------|
| a. Communicate with the predecessor accountant to ascertain whether there were disagreements between the predecessor accountant and the entity's management on accounting or auditing matters and consider the implications of such matters in accepting the client? | _____ | _____ | _____ |
| b. Make other inquiries of the predecessor accountant on significant matters? | _____ | _____ | _____ |
| c. Satisfy itself on the fair presentation of opening balances, such as by reviewing the predecessor accountant's working papers? | _____ | _____ | _____ |
| 3. If consideration was given to the work of internal auditors in determining the scope of the audit, was it done in accordance with SAS No. 9 (AU section 322)? | _____ | _____ | _____ |
| 4. If the engagement included work performed by joint auditors or by another office correspondent, or affiliate of the firm: | | | |
| a. Do the instructions to the other office or firm appear adequate? | _____ | _____ | _____ |
| b. Does it appear that control exercised over the work of others through supervision and review was adequate? | _____ | _____ | _____ |
| c. Was there appropriate follow-up of open matters? | _____ | _____ | _____ |
| d. In those cases where another firm is used, were appropriate inquiries made as to its independence and professional reputation? | _____ | _____ | _____ |
| e. For a jointly signed audit report, are there indications that the auditor has conducted sufficient audit procedures to warrant signing the report in an individual capacity? | _____ | _____ | _____ |
| 5. Did the firm obtain an understanding of the internal control structure which consists of | | | |

Yes No N/A

the control environment, the accounting system, and control procedures?
(SAS No. 55; AU section 319)

a. Was the understanding of the internal control structure documented?
(SAS No. 55; AU section 319)

b. Did the firm assess the control risk?
(SAS No. 55; AU section 319)

c. If the firm assessed control risk at below maximum level:

(1). Were specific internal control structure policies and procedures relevant to specific assertions that are likely to prevent or detect material misstatements identified?
(SAS No. 55; AU section 319)

(2). Were adequate tests of controls to evaluate the effectiveness of such policies and procedures performed?
(SAS No. 55; AU section 319)

d. If the client used computer processing in significant accounting applications, did the assessment of risk in the internal control structure include an evaluation of the extent, as well as the complexity of that processing, including those, if any, of an outside service center?
(SAS Nos. 44, 48, and 55; AU sections 324, 311, and 319)

e. If the firm relied on the internal control structure at a service organization, was a service auditor's report obtained and appropriately considered?
(SAS No. 44; AU section 324)

6. Was a written audit program prepared?
(SAS No. 22; AU section 311)

a. Was it responsive to the needs of the

Yes No N/A

engagement identified during the planning process and in light of the internal control structure?

(SAS No. 53, AU section 319)

b. Was consideration given to applicable assertions in developing audit objectives and in designing substantive tests?

(SAS No. 31, paragraphs 9 through 13; AU section 326.09-.13)

c. If conditions changed during the course of the audit, was the audit program modified as appropriate in the circumstances?

d. Have all audit program procedures been signed?

7. If statistical or nonstatistical sampling was used in performing tests of controls to evaluate the effectiveness of the internal control structures (SAS No. 35; AU section 319):

a. In planning the sampling application, was appropriate consideration given to the specific objective of the compliance test, tolerable rate, allowable risk of overreliance, and likely rate of deviations?

b. Was the sample selected in such a way that it could be expected to be representative of the population?

c. Were the results of the sample evaluated as to their effect on the nature, timing, and extent of planned substantive procedures?

d. In evaluating the sample, was appropriate consideration given to items for which the planned tests of controls or appropriate alternative procedures could not be performed, for example, because the documentation was missing?

e. Was the documentation of the foregoing

	Yes	No	N/A
considerations in accordance with firm policy?	_____	_____	_____
8. If statistical or nonstatistical sampling was used for substantive tests and tests of applicable laws and regulations, if appropriate (SAS No. 39, paragraphs 15 through 30; AU section 350.15-.30)			
a. In planning the sampling application, was appropriate consideration given to the specific audit objective, tolerable error, acceptable level of risk of incorrect acceptance, and characteristics of the population?	_____	_____	_____
b. Was the sample selected in such a way that it could be expected to be representative of the population?	_____	_____	_____
c. Were the error results of the sample projected to the items from which the sample was selected?	_____	_____	_____
d. In evaluating the sample, was appropriate consideration given to items for which the planned substantive tests or appropriate alternate procedures could not be performed?	_____	_____	_____
e. In the evaluation of whether the financial statements may be materially misstated, was appropriate consideration given, in the aggregate, to projected error results from all audit sampling applications and to all known errors from nonsampling applications?	_____	_____	_____
f. Was the documentation of the foregoing considerations in accordance with firm policy?	_____	_____	_____
9. Were the guidelines of SAS No. 56, Analytical Procedures (AU section 329), utilized in the performance of analytical procedures for:			
a. The planning of the audit?	_____	_____	_____

	Yes	No	N/A
b. Use as a substantive test?	_____	_____	_____
c. Overall reviews of the audit?	_____	_____	_____
10. Did the firm obtain a timely and appropriate letter of representation from management? (SAS No. 19; AU section 333)	_____	_____	_____
11. Did the firm obtain timely and appropriate responses from the entity's attorney concerning litigation, claims, and assessments? (SAS No. 12; AU section 337)	_____	_____	_____
12. Have all questions, exceptions, or notes, if any, posed during the audit been resolved, including consideration of views obtained from responsible officials of the entity concerning the auditor's findings, conclusions, and recommendations?	_____	_____	_____
13. Does it appear that appropriate consideration was given to all past adjustments and to the risk that the current period's financial statements are materially misstated when prior-period likely errors are considered with likely errors arising in the current period? (SAS No. 47, AU section 312)	_____	_____	_____
14. If applicable, were adequate tests of controls with applicable laws and regulations made?	_____	_____	_____
15. If evidence exists of situations or transactions that could be indicative of fraud, waste, abuse, and illegal expenditures and acts, did the auditor:			
a. Either obtain management's approval to extend audit steps and procedures to identify the effect on the entity's financial statements or consider issuing a disclaimer of opinion because of a scope limitation?	_____	_____	_____
b. Give prompt notice to the appropriate management officials of the recipient above the level of involvement?	_____	_____	_____

Yes No N/A

16. Were all reportable conditions in the internal control structure all identified instances of noncompliance with applicable laws and regulations, and all illegal acts:

a. Adequately evaluated and documented? _____

b. Appropriately reported in accordance with applicable standards?
(SAS No. 60, AU section 325; GAO's Standards for Audit, pp. 28-29, and OMB Circular A-128, paragraph 13) _____

17. Was disclosure checklist properly completed? _____

II. Compliance With the Requirements of the Single Audit Act of 1984

A. .020 The Single Audit Act

1. If required or deemed necessary, is there any indication that the firm discussed and agreed on the scope of the engagement with the auditee? _____

2. Did the firm, by reviewing contract files and receipts and disbursements, obtain reasonable assurance that the auditee appropriately identified all federal financial assistance and included that assistance within the audit scope? _____

3. If required, does the schedule of federal financial assistance program expenditures present the following:

a. Identification of each program as indicated in the Catalog of Federal Domestic Assistance (CFDA)? _____

b. Other federal assistance from programs not included in the CFDA? _____

c. Total expenditures for each federal financial assistance program by grantor, department, or agency? _____

	Yes	No	N/A
d. Total federal financial assistance?	_____	_____	_____
e. Other information, either required by federal program managers or otherwise deemed appropriate?	_____	_____	_____
4. Was consideration given to the accounting and auditing guidance issued by the Office of Management and Budget, including Circulars A-128 (Audits of State and Local Governments), A-87 (Cost Principles Applicable to Grants and Contracts), and A-102 (Uniform Requirements for Assistance to State and Local Governments)?	_____	_____	_____
5. Did the firm obtain an understanding of the internal control structure policies and procedures, as it relates to:			
a. Administering major federal financial assistance programs, comparable to that which the auditor would perform if he assessed control risk at below the maximum level? (SAS No. 55; AU section 319)	_____	_____	_____
b. Administerings non-major programs to the same extent as in question 5a above, so that over at least 50% of total federal assistance program expenditures are reviewed?	_____	_____	_____
c. Other non-major federal financial assistance programs?	_____	_____	_____
6. For those programs where the control risk is assessed at the maximum level, is the firm's understanding of the internal control structure as well as the conclusion of the control risk documented?(SAS No. 55; AU section 319)	_____	_____	_____
7. For categories of controls for which the control risk is below the maximum level:			
a. Do the working papers document the firm's understanding of the internal control structure?	_____	_____	_____

	Yes	No	N/A
b. Were tests of controls performed for internal control structure?	_____	_____	_____
c. Was the nature and extent of testing sufficient to enable the firm to determine if the control procedures were being applied as described?	_____	_____	_____
d. Did the auditor examine the recipient's control structure for ensuring subrecipients' compliance and obtaining and acting on subrecipients' audit reports?	_____	_____	_____
e. Do the working papers adequately document the work performed and the conclusions reached? (GAO, p. 26; SAS No. 41, paragraph 5)	_____	_____	_____
8. Were all reportable conditions in the internal control structure disclosed in the auditor's reports?	_____	_____	_____
9. In determining whether the entity has complied with applicable laws and regulations that may have a material effect on each major federal financial assistance program, did the auditor:			
a. Consult appropriate sources, such as the Compliance Supplement for Single Audits of State and Local Governments, statutes, regulations, and agreements covering individual programs, in order to identify the compliance requirements that apply to each major program and to determine which requirements to test?	_____	_____	_____
b. Select a representative number of charges from each major program?	_____	_____	_____
c. Perform tests to determine whether:			
(1). The amounts reported as expenditures were allowable under federal regulations and contracts?	_____	_____	_____
(2). Only eligible persons or organizations received services or benefits?	_____	_____	_____

	Yes	No	N/A
(3). Matching requirements were met?	_____	_____	_____
(4). Federal financial reports and claims for advances and reimbursements were supported by the records supporting the financial statements?	_____	_____	_____
(5). The entity complied with each of the general requirements contained in the compliance supplement concerning:			
(a). Political activity?	_____	_____	_____
(b). Civil rights?	_____	_____	_____
(c). Davis-Bacon Act?	_____	_____	_____
(d). Cash management?	_____	_____	_____
(e). Relocation of assistance and real property acquisition?	_____	_____	_____
(f). Federal financial reports?	_____	_____	_____
d. Consider projected error results from all audit sampling applications and all known errors from non-sampling applications?	_____	_____	_____
e. Consider whether his tests of compliance with the program's requirements appear adequate to support his report(s) on compliance?	_____	_____	_____
10. Where transactions related to non-major federal financial assistance programs have been selected during other audit procedures, have they been appropriately tested for compliance with applicable laws and regulations in connection with examinations of financial statements and evaluations of internal control?	_____	_____	_____
11. If warranted, did the firm communicate with the cognizant agency to avoid or minimize any disagreements or problems?	_____	_____	_____

Yes No N/A

12. Did the firm submit the report(s) to the organization audited and to those requiring or arranging for the audit within the required time?

13. Has the firm established policies or procedures for complying with the additional requirements concerning:

a. Retaining working papers and reports for a minimum of three years from the date of the audit report, unless the auditor is notified in writing by the cognizant agency to extend the retention period?

b. Making the working papers available upon request to the cognizant agency or its designee or the GAO at the completion of the audit?

III. Working Paper Areas

A. .030 Cash

1. Was due consideration given to each transaction shortly before and shortly after the balance sheet date to determine that transactions were recorded in the proper period?

2. Were bank accounts confirmed and were reconciling items existing at the balance sheet date cleared by reference to subsequent statements?

3. Do the working papers indicate that the following were considered:

a. Restrictions on cash balances?

b. Confirmation of bank credit arrangements such as compensating balances?

c. Review of confirmation responses for indication of related party transactions?

	Yes	No	N/A
d. Confirmation of liabilities and contingent liabilities to banks?	_____	_____	_____
e. Approval of interfund cash transactions?	_____	_____	_____
f. Verification of collateral required of depository institutions for public funds?	_____	_____	_____
g. Compliance with the laws and regulations governing the deposit of public funds?	_____	_____	_____
h. Determination that all cash accounts have been identified and appropriately recorded?	_____	_____	_____
i. Review of repurchase security transactions for consistency with the disclosures on the terms or circumstances of the transactions?	_____	_____	_____
4. Based on the assessed level of risk, do the substantive tests of cash appear adequate?	_____	_____	_____
B. .040 Receivables			
1. Was a summary properly classifying receivables prepared or obtained (i.e., notes and accounts receivable, tax revenues, interfund transactions, and other related party receivables, etc.)?	_____	_____	_____
2. Were accounts receivable circularized and appropriate follow-up steps taken, including second requests and alternate procedures?	_____	_____	_____
3. If confirmation work was performed prior to yearend, is there evidence that there was an adequate review of transactions from the confirmation date to the balance sheet date?	_____	_____	_____
4. If a significant number and amounts receivable were not circularized, is there evidence that other auditing procedures were performed?	_____	_____	_____
5. Were significant notes receivable confirmed as of the balance sheet date?	_____	_____	_____
6. Were the results of confirmation procedures summarized in the working papers?	_____	_____	_____

	Yes	No	N/A
7. Was collateral (if any) for receivables examined with respect to existence, ownership and value?	_____	_____	_____
8. Were procedures performed to provide evidence that taxes receivable and the related revenues have been recorded in the correct period in accordance with GASB Cod. Sec. P70?	_____	_____	_____
9. Were adequate tests of discounts and allowances made?	_____	_____	_____
10. Was the reasonableness of allowances for doubtful accounts covered in the working papers and collectibility for receivables, including interfund receivables, adequately considered?	_____	_____	_____
11. Is there evidence in the working papers that inquiry was made and consideration given to whether receivables are pledged, assigned or otherwise encumbered?	_____	_____	_____
12. Was receivable work coordinated with test revenues, including cut-off tests?	_____	_____	_____
13. Were procedures performed to obtain evidence the carrying value of notes receivable reasonably represents the present value of the consideration exchanged and an appropriate interest rate? (APB Opinion No. 21; AC I69)	_____	_____	_____
14. Based on the assessed level of control risk, do the substantive tests of receivables appear adequate?	_____	_____	_____
C. .050 Inventories			
1. Was an inventory summary showing basis prepared or obtained?	_____	_____	_____
2. Do the working papers indicate that a lower of cost or market test (including consideration of obsolete or slow-moving inventory) was performed?	_____	_____	_____

	Yes	No	N/A
3. Do the working papers indicate that there were adequate tests of:			
a. Physical observation, if material?	_____	_____	_____
b. The clerical accuracy of the compilation of the inventory?	_____	_____	_____
c. Costing methods and substantiation of costs used in pricing all inventory elements?	_____	_____	_____
4. Based on assessed level of control risk do the substantive tests of inventory appear adequate?	_____	_____	_____
 D. .060 Investments			
1. Was a summary schedule prepared (or obtained) and details examined with respect to description, purchase price and date, changes during the period, income, market value, etc., of investments?	_____	_____	_____
2. Were all securities either examined or confirmed?	_____	_____	_____
3. Were gains and losses on disposition of securities properly computed?	_____	_____	_____
4. Do the working papers reflect consideration of the appropriateness of carrying values of marketable securities and their classification?	_____	_____	_____
5. Was investigation of carrying value and possible cost impairment of long-term investments made?	_____	_____	_____
6. Do the working papers reflect to description, purchase price and date, changes during the period, income, market value, etc., of investments?	_____	_____	_____
7. For joint venture investments (accounted for on the equity or other method), were financial statements and other information reviewed to			

	Yes	No	N/A
support the amounts presented and the related footnote disclosures?	_____	_____	_____
8. Do the working papers indicate that adequate evidential matter had been accumulated for long-term investments?	_____	_____	_____
9. Was a review made to determine whether the investments are the types authorized by law or comply with the applicable statutes and investment policy?	_____	_____	_____
10. Were income, gains and losses from investments examined for proper allocation to the individual funds?	_____	_____	_____
11. For repurchase and reverse repurchase agreements, were appropriate audit procedures performed (e.g., confirmation, inspection of collateral, etc.)?	_____	_____	_____
E. .070 Prepaid Expenses, Intangible Assets, Deferred Charges, Etc.			
1. Were adequate tests made and/or confirmations received for all material:			
a. Prepaid expenses?	_____	_____	_____
b. Intangible assets?	_____	_____	_____
c. Deferred charges?	_____	_____	_____
d. Other?	_____	_____	_____
2. Is there adequate support for the deferral and amortization (or lack thereof) of these types of assets?	_____	_____	_____
F. .080 Fixed Assets			
1. Was a summary schedule by source prepared (or obtained) to show beginning balances, changes during the period, and ending balances for:			
a. Property, plant, and equipment?	_____	_____	_____

	Yes	No	N/A
b. Accumulated depreciation (where applicable)?	_____	_____	_____
2. Do tests appear adequate with respect to:			
a. Additions by the examination of supporting documents and/or physical inspection?	_____	_____	_____
b. Retirements, etc. (including examination of miscellaneous income, scrap sales, etc.)	_____	_____	_____
c. The adequacy of current and accumulated provisions for depreciation (where applicable)?	_____	_____	_____
d. Status of idle facilities?	_____	_____	_____
3. Do working papers indicate that the auditor considered the possibility that property was subject to liens?	_____	_____	_____
4. Was a review made to determine that capital expenditures are classified in the proper fund accounts and made in accordance with budgetary requirements?	_____	_____	_____
5. Based on the assessed level of control risk, do the substantive tests of property, plant, and equipment appear adequate?	_____	_____	_____
G. .090 Liabilities			
1. Were accounts and warrants payable adequately tested for propriety?	_____	_____	_____
2. Were liabilities properly classified as current or long-term?	_____	_____	_____
3. Was an adequate test of subsequent transactions (i.e., cash disbursements, voucher register) made to determine if any unrecorded liabilities existed that were material individually or in the aggregate in relation to the financial statements?	_____	_____	_____
4. Was the payable work coordinated with the testing of the purchase cut-off?	_____	_____	_____

	Yes	No	N/A
5. Was consideration given to expenditures and expenses that might require accrual (e.g., pensions, compensated absences--See GASB Cod. Sec. 1600), and to whether accrued expenses were reasonably stated?	_____	_____	_____
6. Were procedures performed to determine whether deferred compensation plans are appropriately disclosed? (GASB Statement No. 2)	_____	_____	_____
7. Do the working papers include evidence as to compliance with any loan restrictions?	_____	_____	_____
8. Were confirmations for significant notes and bonds payable, together with verification of interest rates, repayment period, etc., received?	_____	_____	_____
9. Were audit procedures performed to obtain evidence that the carrying value of debt obligations reasonably represent the present value of the consideration exchanged and an appropriate interest rate?	_____	_____	_____
10. Is there evidence that loan restrictions and covenants to debt obligations are being complied with?	_____	_____	_____
11. Was an examination made to determine that:			
a. New debt issues are properly issued as required by the state constitution or state/local statute and are recorded in the correct fund and/or account group?	_____	_____	_____
b. Debt restrictions, guarantees, and other debt commitments are properly disclosed?	_____	_____	_____
12. Do the tests of interfund borrowings appear adequate with respect to:			
a. Legal restrictions, if any, on such borrowings?	_____	_____	_____
b. Authorization?	_____	_____	_____

	Yes	No	N/A
c. Classification?	_____	_____	_____
d. Appropriateness of interest accruals and payments?	_____	_____	_____
13. Based on the assessed level of control risk do the substantive tests of liabilities appear adequate?	_____	_____	_____
H. .100 Deferred Revenue			
1. Do the working papers reflect consideration of whether the basis of deferring revenue is reasonable and consistent with restrictions imposed by the grantor or by the special assessment?	_____	_____	_____
2. Was consideration given to matching requirements, if any?	_____	_____	_____
I. .110 Commitments and Contingencies			
1. Do the working papers include indication of the following:			
a. Inspection of minutes of meetings of the governmental body and key committees thereof, provisions of the governmental unit's charter, and applicable statutes and changes therein?	_____	_____	_____
b. Inspection of contracts, loan agreements, leases, correspondence from taxing and other governmental agencies, and similar documents?	_____	_____	_____
c. Accumulation and analysis of confirmation responses from banks and lawyers?	_____	_____	_____
d. Inquiry and discussion with management (including management's written representations concerning liabilities and litigation, claims and assessments)?	_____	_____	_____
e. Consideration of prior audits of federal financial assistance programs that disclosed			

	Yes	No	N/A
questionable or disallowed costs, or instances of noncompliance?	_____	_____	_____
f. Inspection of long-term contracts with non-governmental entities, such as construction contractors?	_____	_____	_____
2. Is there indication that procedures were performed to uncover the need for recording or disclosing events subsequent to the date of the financial statements?(SAS No. 1, section 560.10-.12; Au section 560.10-.12)	_____	_____	_____
3. Have all material contingencies been properly considered, documented, and reported (SFAS No. 5; AC C59 GASB Cod. Sec. C50)?	_____	_____	_____
J. .120 Fund Equity			
1. Where appropriate, were authorization of changes in reserves and designated balances examined?	_____	_____	_____
2. Do the working papers indicate that there were appropriate inquiries, where appropriate, as to proper classification, description, and disclosures of components of the fund equity?	_____	_____	_____
3. Do the working papers indicate that fund transfers were properly approved and recorded?	_____	_____	_____
K. .130 Revenues and Expenditures/Expenses			
1. Were revenues and expenditures and/or expenses for the period compared with those of the preceding period and reviewed for reasonableness and were significant fluctuations explained?	_____	_____	_____
2. Was adequate consideration given to:			
a. The entity's revenue recognition policy?	_____	_____	_____
b. Income recognition on transactions where the earnings process was not complete?	_____	_____	_____

Yes No N/A

3. Do the working papers indicate that revenues and interfund transactions have been recognized in the accounting period in which they became available and measurable under the applicable basis of accounting? _____
4. Do the working papers indicate that the auditor considered the effect of program income on federal grants and any related activities? _____
5. Has it been determined that:
- a. Expenditures are in accordance with the approved budget as to amounts and purpose? _____
 - b. Encumbrances are properly identified, supported, and recorded? _____
 - c. Indirect cost allocations are in accordance with OMB Circular A-87? _____
6. Were tests of payrolls, including account distribution, made? _____
7. With regard to pension plans, do the tests made of the expense and liabilities appear adequate? _____
8. If the entity is reimbursed by a third party for costs incurred in connection with providing services to others:
- a. Were pertinent sections of significant third party contracts reviewed to determine the basis for reimbursement? _____
 - b. Were cost reimbursement reports and the underlying support reviewed? _____
 - c. Were appropriate allocations made of indirect costs among the entity's programs? _____
 - d. Was the effect of audits, either required or performed by third party grantors, considered? _____

Yes No N/A

9. If grants are awarded to other organizations, did the auditor review:
- a. The classification of the grants? _____
 - b. The effects of the grantees' compliance or noncompliance with performance requirements? _____
10. Has adequate consideration been given to loss contingencies in accordance with SFAS No. 5 (AC C59)? _____
11. Based upon the assessed level of control risk, did the substantive tests (review, analysis, and testing) of revenues and expenditures/expenses appear adequate? _____
- L. .140 Other
- 1. Have leases been examined to determine that capital, sales, and direct financing leases have been properly accounted for? (GASB Cod. Sec. 120) _____
 - 2. Were procedures applied to supplementary information in accordance with SAS No. 29 (AU section 551)? _____
 - 3. If the work of a specialist was used, did the auditor apply the guidance in SAS No. 11 (AU section 336)? _____
 - 4. Were specific procedures applied for determining the existence of related parties and examining identified related party transactions? (SAS No. 45; AU section 334) _____

IV. Functional Areas

A. .150 Independence

- 1. If any evidence was noted during the review which may indicate a lack of independence (including a lack of objectivity), was the matter identified and appropriately resolved

	Yes	No	N/A
by the firm and its impact appropriately considered?	_____	_____	_____
2. Was timely and appropriate assurance of independence of other firms engaged to audit segments or component units of the engagement obtained?	_____	_____	_____
3. Were the fees for the prior year's services paid prior to issuance of the report for the current engagement?	_____	_____	_____
B. .160 Assigning Personnel to Engagements			
1. Were scheduling and staffing requirements identified on a timely basis and approved by appropriate personnel?	_____	_____	_____
2. Is the level of experience of the personnel assigned and/or supervision appropriate for the auditor's assessment of the level of risk for the engagement?	_____	_____	_____
C. .170 Consultation			
1. Was there appropriate consultation and documentation thereof:			
a. In situations specified by firm policy?	_____	_____	_____
b. Where the complexity or unusual nature of the issue warranted it?	_____	_____	_____
2. Were the firm's conclusions consistent with professional standards?	_____	_____	_____
3. If the engagement records indicated a difference of opinion between engagement personnel and specialist or other consultant, was the difference resolved in accordance with firm policy and appropriately documented?	_____	_____	_____
4. Were the considerations involved in the resolution of the differences of opinion mentioned in item 3 appropriately documented?	_____	_____	_____

Yes No N/A

D. .180 Supervision

- | | | | |
|---|-------|-------|-------|
| 1. Were appropriate personnel assigned to the engagement involved in the planning process? | _____ | _____ | _____ |
| 2. Does it appear that audit planning was adequately documented in the working papers, including any changes in the original plan? | _____ | _____ | _____ |
| 3. Did the partner (or manager) approve the overall audit plan (including audit program) as the final planning step and convey his approval or modifications to the engagement staff? | _____ | _____ | _____ |
| 4. Does it appear that hours charged by the partner, manager, and, where applicable, by the concurring reviewer, were adequate and appropriately timed to provide for planning and supervision as the job progressed? | _____ | _____ | _____ |
| 5. Were all forms, checklists, or questionnaires, if any, required by firm policy for the following areas adequately completed and modified, where appropriate, for the engagement: | | | |
| a. Planning checklist? | _____ | _____ | _____ |
| b. Consideration of the internal control structure? | _____ | _____ | _____ |
| (1). Manual system? | _____ | _____ | _____ |
| (2). EDP system? | _____ | _____ | _____ |
| c. Audit work programs? | _____ | _____ | _____ |
| d. Financial statement disclosures? | _____ | _____ | _____ |
| e. Working papers and financial statement reviews? | _____ | _____ | _____ |
| 6. If standardized forms, etc., were not used for any of the above areas, is there other adequate substitute documentation? | _____ | _____ | _____ |

	Yes	No	N/A
7. Were the firm's guidelines for the form and content of audit working papers complied with?	_____	_____	_____
8. Were the differences of professional opinion resolved in accordance with firm policy?	_____	_____	_____
9. Does it appear that adequate supervision was provided considering the background and experience of personnel assigned to the engagement?	_____	_____	_____
10. If used, were scientific audit tools (e.g., computer auditing, statistical sampling, etc.) properly evaluated by persons with training in these areas? (SAS No. 48)	_____	_____	_____
11. Was an appropriate review made of the working papers, report, and financial statements by a person whose position in the firm is commensurate with that responsibility, to determine that work performed is complete and conforms to professional standards and firm policy?	_____	_____	_____
12. Was an appropriate pre-issuance review made in accordance with firm policy?	_____	_____	_____
13. Does it appear that planning and supervision were in compliance with SAS Nos. 22 and 47 (AU sections 311 and 312) and interpretations of SAS No. 22 (AU section 9311)?	_____	_____	_____
E. .190 Advancement			
1. If required by firm policy, have the staff on this engagement been appropriately evaluated based on the work performed?	_____	_____	_____
F. .200 Acceptance and Continuance of Clients			
1. Does it appear that the firm's guidelines for acceptance and continuance of clients were complied with?	_____	_____	_____

AAM Section 10,100

Format of Accountants' Reports

Addressing the Report

.01 The accountant or auditor addresses his report to the client which retained his service.

.02 When the client is a corporation, the report may be addressed to the corporation, its board of directors or its stockholders. In practice, reports on financial statements of publicly traded corporations are usually addressed to the board of directors and stockholders.

.03 When the client is not incorporated, the circumstances will dictate how the report should be addressed. For example, the report may be addressed to the partners, to the general partner, or to the proprietor.

.04 Occasionally, an auditor is retained to audit the financial statements of an entity that is not his client. In such instances, the report is addressed to the client and not to the board of directors, stockholders or proprietor of the entity whose financial statements are being audited.

.05 For authoritative guidance on addressing the report, see SAS No. 58, paragraph 9 (AU section 508.09).

Dating the Report

.06 The date on an auditor's report generally indicates when the auditor completed the field work on which the report is based. Likewise, the date of an accountant's compilation report on the financial statements of a nonpublic entity, would be the date of completion of the compilation work. The date of a review report on such financial statements would be the date of completion of the accountant's inquiry and analytical procedures. Report dating involves additional considerations when the auditor becomes aware of events that occurred after completion of field work but before issuance of the report, when the report is on comparative financial statements, or when a report on prior year financial statements is reissued.

.07 When an event which is disclosed in the financial statements occurs after completion of field work but before issuance of the report, the auditor may use "dual dating," for example, "February 15, 19X1, except for Note 10 as to which the date is March 1, 19X1." In this instance, the auditor's responsibility for events occurring after February 15, 19X1 is limited to the specific event referred to in Note 10. The auditor may also date the report as of March 1, 19X1; this, however, would extend the auditor's responsibility for subsequent events to March 1, 19X1.

.08 For an auditor's report which covers financial statements of one or more prior periods (which he audited) presented on a comparative basis with those of the current period, the auditor would ordinarily date the report on the financial statements of all periods presented as of the date of his report on the most recent financial statements.

.09 When an auditor, as a predecessor, reissues a report on prior year financial statements for presentation with the report of a successor auditor on current year financial statements, the predecessor would use the date of his previous report on his reissued report to avoid the implication that he has performed any additional field work. If the predecessor auditor revises his report or if the financial statements are restated, he would dual date his report.

.10 For authoritative guidance on dating reports, see SAS No. 1, section 530; SAS No. 36, paragraph 17; SAS No. 58, paragraphs 74 and 82; and SSARS No. 1, paragraphs 15 and 33 (AU sections 530, 722.17, 508.74 and .82, and AR section 100.15 and .33, respectively).

AAM Section 10,700

**Accountants' Reports on Basic or General Purpose Financial
Statements for State and Local Governmental Units**

**.01 Unqualified Opinion on General Purpose or Component Unit Financial
Statements Only**

Independent Auditor's Report

Addressee:

We have audited the Accompanying general purpose* financial statements of City of Example, Any State, as of December 31, 19XX, and for the year then ended. These general purpose* financial statements are the responsibility of City of Example, Any State management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the general purpose* financial statements referred to above present fairly, in all material respects, the financial position of City of Example, Any State as of December 31, 19XX, and the results of its operations and changes in financial position** of its proprietary and similar trust fund types for the year then ended in conformity with generally accepted accounting principles.

[Signature]

[Date]

[Source: SOP 89-6, Auditors' Reports in Audits of State and Local
Governmental Units.]

* If the financial statements are for a component unit, the term "general purpose financial statements" should not be used. In the case of a component unit other than the oversight unit, the term "component unit financial statements" or just "financial statements" should be used. For

the component unit financial statements of an oversight unit, see AAM section 10,700.04.

** The Governmental Accounting Standards Board plans to issue a final statement that will require proprietary funds and nonexpendable trust funds other than pension funds and public employee retirement systems to issue a statement of cash flows instead of a statement of changes in financial position. That statement will be effective for fiscal periods beginning after December 15, 1989.

.02 Unqualified Opinion on General Purpose or Component Unit Financial Statements Submitted Together With Combining and Individual Fund and Account Group Financial Statements and Supporting Schedules as Supplementary Data

[If a schedule of federal financial assistance is reported on as supplementary data, Government Auditing Standards, issued by the Comptroller General of the United States, should be referenced in the second paragraph. See AAM section 10,400.17 for guidance on issuing a separate report on a schedule of federal financial assistance.]

Independent Auditor's Report

Addressee:

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

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

In our opinion, the general purpose* financial statements referred to above present fairly, in all material respects, the financial position of City of Example, Any State as of December 31, 19XX, and the results of its operations and changes in financial position of its proprietary, and similar fund types for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose* financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose* financial

statements of the City of Example, Any State. Such information has been subjected to the auditing procedures applied in the audit of the general purpose* financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose* financial statements taken as a whole.

[Signature]

[Date]

[Source: SOP 89-6, Auditors' Reports in Audits of State and Local Governmental Units.]

* If the financial statements are for a component unit, the term "general purpose financial statements" should not be used. In the case of a component unit other than the oversight unit, the term "component unit financial statements" or just "financial statements" should be used. For the component unit financial statements of an oversight unit, the principles of AAM section 10,700.04 should be combined with those of this section.

.03 Unqualified Opinion on General Purpose or Component Unit Financial Statements and Combining and Individual Fund and Account Group Financial Statements Presented Together With Supporting Schedules Reported on as Supplementary Data

Independent Auditor's Report

Addressee:

We have audited the accompanying general purpose* financial statements and the combining and individual fund and account group financial statements of City of Example, Any State, as of December 31, 19XX, and for the year then ended as listed in the table of contents. These financial statements are the responsibility of City of Example, Any State management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the general purpose* financial statements referred to above present fairly, in all material respects, the financial position of City of Example, Any State as of December 31, 19XX, and the results of its operations and changes in financial position of its proprietary, and similar trust fund types for the year then ended, in conformity with generally accepted accounting principles. Also, in our opinion, the combining and individual fund and account group financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds and account groups of the City of Example, Any State, as of December 31, 19XX, and the results of operations of such funds and the changes in financial position of individual proprietary and similar trust funds for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose* financial statements taken as a whole and on the combining and individual fund and account group financial statements. The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a

required part of the financial statements of the City of Example, Any State. Such information has been subjected to the auditing procedures applied in the audit of the general purpose,* combining and individual fund and account group financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements of each of the respective individual funds and account groups, taken as a whole.

[Signature]

[Date]

[Source: SOP 89-6, Auditors' Reports in Audits of State and Local Governmental Units.]

* If the financial statements are for a component unit, the term "general purpose financial statements" should not be used. In the case of a component unit other than the oversight unit, the term "component unit financial statements" or just "financial statements" should be used. For the component unit financial statements of an oversight unit, the principles of AAM section 10,700.04 should be combined with those of this section.

.04 Unqualified Opinion on Component Unit Financial Statements of an Oversight Unit That Omit the Financial Statements of All Other Component Units

Independent Auditor's Report

Addressee:

We have audited the accompanying component unit financial statements of City of Example, Any State, as of December 31, 19XX, and for the year then ended. These component unit financial statements are the responsibility of City of Example, Any State oversight unit management. Our responsibility is to express an opinion on these component unit financial statements based on our audit.

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

The financial statements referred to above include only the financial activities of the oversight unit. Financial activities of other component units that form the reporting entity are not included.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of City of Example, Any State as of December 31, 19XX, and the results of its operations and changes in financial position of its proprietary and similar trust fund types for the year then ended in conformity with generally accepted accounting principles.

[Signature]

[Date]

[Source: SOP 89-6, Auditors' Reports in Audits of State and Local Governmental Units.]

.05 Qualified Opinion on General Purpose Financial Statements That Omit One or More, But Not All, Component Units of the Reporting Entity

Independent Auditor's Report

Addressee:

We have audited the Accompanying general purpose* financial statements of City of Example, Any State as of December 31, 19XX, and for the year then ended. These general purpose* financial statements are the responsibility of City of Example, Any State management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The general purpose* financial statements referred to above do not include financial activities of the [identify the component unit omitted], which should be included in order to conform with generally accepted accounting principles. If the omitted component unit had been included,** the assets and revenues of the [identify fund type(s), e.g., special revenue fund type] would have increased by \$XXX,XXX and \$XXX,XXX, respectively, there would have been an excess of expenditures over revenues in that fund type for the year of \$XXX,XXX, and the [identify fund type(s)] fund balance would have been a deficit of \$XXX,XXX.

In our opinion, except for the effects on the financial statements of the omission described in the preceding paragraph, the general purpose* financial statements referred to above present fairly, in all material respects, the financial position of City of Example, Any State as of December 31, 19XX, and the results of its operations and changes in financial position of its proprietary and similar trust fund types for the year then ended in conformity with generally accepted accounting principles.

[Signature]

[Date]

Note: If the omission was sufficiently material, the auditor should express an adverse opinion on the general purpose financial statements. In such case, a separate explanatory paragraph should state all the substantive reasons for the adverse opinion and the principal effects of those matters. See AAM section 10,700.06 for guidance.

* If the financial statements are for a component unit, the term "general purpose financial statements" should not be used. In the case of a component unit other than the oversight unit, the term "component unit financial statements" or just "financial statements" should be used. For the component unit financial statements of an oversight unit, the principles of AAM section 10,700.04 should be combined with those of this section.

** If the amounts applicable to the omitted component have not been audited, insert the phrase "based on unaudited information."

.06 Adverse Opinion on General Purpose Financial Statements That Omit One or More, But Not All, Component Units of the Reporting Entity

Independent Auditor's Report

Addressee:

We have audited the accompanying general purpose* financial statements of City of Example, Any State as of December 31, 19XX, and for the year then ended. These general purpose* financial statements are the responsibility of City of Example, Any State management. Our responsibility is to express an opinion on these general purposes* financial statements based on our audit.

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

The general purpose* financial statements referred to above do not include financial activities of the [identify the component unit omitted], which should be included in order to conform with generally accepted accounting principles.

Because of the departure from generally accepted accounting principles identified above, as of December 31, 19XX, the assets and revenues of the [identify fund type(s), e.g., special revenue fund type] would have increased by \$XXX,XXX and \$XXX,XXX, respectively, there would have been an excess of expenditures over revenues in that fund type for the year of \$XXX,XXX, and the [identify fund type(s)] fund balance would have been a deficit of \$XXX,XXX.

In our opinion, because of the effects of the matters discussed in the preceding paragraphs, the general purpose* financial statements referred to above do not present fairly, in conformity with generally accepted accounting principles, the financial position of City of Example, Any State as of December 31, 19XX, or the results of operations or changes in financial position of its proprietary and similar trust fund types for the year then ended.

[Signature]

[Date]

* If the financial statements are for a component unit, the term "general purpose financial statements" should not be used. In the case of a component unit other than the oversight unit, the term "component unit financial statements" or just "financial statements" should be used. For the component unit financial statements of an oversight unit, the principles of AAM section 10,700.04 should be combined with those of this section.

.07 Qualified Opinion on General Purpose or Component Unit Financial Statements That Omit a Fund Type or Account Group

Independent Auditor's Report

Addressee:

We have audited the accompanying general purpose* financial statements of City of Example, Any State as of December 31, 19XX, and for the year then ended. These general purpose* financial statements are the responsibility of City of Example, Any State management. Our responsibility is to express an opinion on these general purpose* financial statements based on our audit.

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

The general purpose* financial statements referred to above do not include the [identify the fund type (account group) omitted], which should be included to conform with generally accepted accounting principles. The omitted fund type** has assets, liabilities, revenues, and expenditures of \$XXX,XXX, \$XXX,XXX, \$XXX,XXX, and \$XXX,XXX, respectively. (The amount that should be recorded in the general fixed assets account group is not known.)

In our opinion, except for the effect on the general purpose* financial statements of the omission described in the preceding paragraph, the general purpose* financial statements referred to above present fairly, in all material respects, the financial position of City of Example, Any State as of December 31, 19XX, and the results of its operations and changes in financial position of its proprietary and similar trust fund types for the year then ended, in conformity with generally accepted accounting principles.

[Signature]

[Date]

[Source: SOP 89-6, Auditors' Reports in Audits of State and Local

Governmental Units.]

Note: If the omission was sufficiently material, the auditor should express an adverse opinion on the financial statements. In such case, a separate explanatory paragraph should state all the substantive reasons for the adverse opinion and the principal effects of those matters. See AAM section 10,700.06 for guidance.

* If the financial statements are for a component unit, the term "general purpose financial statements" should not be used. In the case of a component unit other than the oversight unit, the term "component unit financial statements" or just "financial statements" should be used. For the component unit financial statements of an oversight unit, the principles of AAM section 10,700.04 should be combined with this section.

** If the amounts applicable to the omitted fund type have not been audited, insert the phrase "based on unaudited information."

.08 Qualified Opinion on General Purpose or Component Unit Financial Statements That Omit a Fund From a Fund Type

Independent Auditor's Report

Addressee:

We have audited the accompanying general purpose* financial statements of City of Example, Any State as of December 31, 19XX, and for the year then ended. These general purpose* financial statements are the responsibility of City of Example, Any State management. Our responsibility is to express an opinion on these general purpose* financial statements based on our audit.

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

The general purpose* financial statements referred to above do not include the [identify the omitted fund], which should be included to conform with generally accepted accounting principles. If the omitted fund** had been included, the [identify fund type] assets, liabilities, revenues, and expenditures would have increased \$XXX,XXX, \$XXX,XXX, \$XXX,XXX, and \$XXX,XXX, respectively.

In our opinion, except for the effect on the general purpose* financial statements of the omission described in the preceding paragraph, the general purpose* financial statements referred to above present fairly, in all material respects, the financial position of City of Example, Any State as of December 31, 19XX, and the results of its operations and changes in financial position of its proprietary and similar trust fund types for the year then ended, in conformity with generally accepted accounting principles.

[Signature]

[Date]

Note: If the omission was sufficiently material, the auditor should express an adverse opinion on the financial statements. In such case, a separate explanatory paragraph should state all the substantive reasons for the adverse opinion and the principal effects of those matters. See AAM section 10,700.06 for guidance.

* If the financial statements are for a component unit, the term "general purpose financial statements" should not be used. In the case of a component unit other than the oversight unit, the term "component unit financial statements" or just "financial statements" should be used. For the component unit financial statements of an oversight unit, the principles of AAM section 10,700.04 should be combined with this section.

** If the amounts applicable to the omitted fund have not been audited, insert the phrase "based on unaudited information."

.09 Unqualified Opinion on General Fund Financial Statements With an Explanatory Paragraph Calling Attention to the Fact That the Financial Statements Do Not Represent the Financial Position and Results of Operations of the Governmental Unit

Independent Auditor's Report

Addressee:

We have audited the accompanying financial statements of the general fund of the City of Example, Any State as of December 31, 19XX, and for the year then ended. These financial statements are the responsibility of City of Example, Any State management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note __, the financial statements present only the general fund and are not intended to present fairly the financial position and results of operations of City of Example, Any State, in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the general fund of City of Example, Any State as of December 31, 19XX, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

[Signature]

[Date]

[Source: SOP 89-6, Auditors' Reports in Audits of State and Local Governmental Units.]

**.10 Unqualified Opinion on an Enterprise Fund's Financial Statements
With an Explanatory Paragraph Calling Attention to the Fact That
the Financial Statements Do Not Represent the Financial Position
and Results of Operations of the Governmental Unit**

Independent Auditor's Report

Addressee:

We have audited the accompanying financial statements of the [identify enterprise fund] of the City of Example, Any State as of December 31, 19XX, and for the year then ended. These financial statements are the responsibility of City of Example, Any State management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note __, the financial statements present only the [identify enterprise fund] and are not intended to present fairly the financial position of City of Example, Any State and the results of its operations and changes in financial position of its proprietary and similar trust fund types in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the [identify enterprise fund] of the City of Example, Any State as of December 31, 19XX, and the results of its operations and changes in financial position for the year then ended in conformity with generally accepted accounting principles.

[Signature]

[Date]

[Source: SOP 89-6, Auditors' Reports in Audits of State and Local Governmental Units.]

.11 Unqualified Opinion on General Purpose or Component Unit Financial Statements With an Explanatory Paragraph Added Because of Substantial Doubt About the Ability of a Governmental Unit to Meet Its Debts as They Come Due

[See criteria in SAS No. 58, Reports on Audited Financial Statements, paragraphs 24 through 30 (AU section 508.24 through .30), regarding uncertainties and see discussion of reporting considerations when the auditor has substantial doubt about an entity's ability to continue as a going concern for a reasonable period of time in SAS No. 59, The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern, paragraphs 12 through 16 (AU section 341.12 through .16).

Independent Auditor's Report

Addressee:

We have audited the accompanying general purpose* financial statements of City of Example, Any State as of December 31, 19XX, for the year then ended. These general purpose* financial statements are the responsibility of City of Example, Any State management. Our responsibility is to express an opinion on these general purpose* financial statements based on our audit.

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

In our opinion, the general purpose* financial statements referred to above present fairly, in all material respects, the financial position of City of Example, Any State as of December 31, 19XX, and the results of its operations and changes in financial position of its proprietary and similar trust fund types for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note __, [include description of reason that a question has arisen about the ability of the governmental unit to meet its debts as they come due]. The general purpose* financial statements do not include any adjustment relating to the amounts and classification of liabilities that might be necessary if City of Example, Any State is not able to meet its debts as they come due or if such debts are adjusted under the

provisions of Chapter 9 of the Federal Bankruptcy Code.

[Signature]

[Date]

[Source: SOP 89-6, Auditors' Reports in Audits of State and Local Governmental Units.]

* If the financial statements are for a component unit, the term "general purpose financial statements" should not be used. In the case of a component unit other than the oversight unit, the term "component unit financial statements" or just "financial statements" should be used. For the component unit financial statements of an oversight unit, the principles of AAM section 10,700.04 should be combined with this section.

.12 Qualified Opinion on General Purpose Financial Statements That Include an Unaudited Organization, Function, or Activity

Independent Auditor's Report

Addressee:

We have audited the accompanying general purpose* financial statements of City of Example, Any State as of December 31, 19XX, and for the year then ended. These general purpose* financial statements are the responsibility of City of Example, Any State management. Our responsibility is to express an opinion on these general purpose* financial statements based on our audit.

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

We were unable to obtain audited financial statements supporting the financial activities of the [identify the organization, function, or activity] because [state reasons why audited information could not be obtained]. Those financial activities are included in the [identify fund type or account group] and represent XX percent and XX percent of the assets and revenues respectively, of that fund type.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to audit the financial statements of [identify the organization, function, or activity] the general purpose* financial statements referred to above present fairly, in all material respects, the financial position of City of Example, Any State as of December 31, 19XX, and the results of its operations and changes in financial position of its proprietary and similar trust fund types for the year then ended, in conformity with generally accepted accounting principles.

[Signature]

[Date]

[Source: SOP 89-6, Auditors' Reports in Audits of State and Local Governmental Units.]

* If the financial statements are for a component unit, the term "general purpose financial statements" should not be used. In the case of a component unit other than the oversight unit, the term "component unit financial statements" or just "financial statements" should be used. For the component unit financial statements of an oversight unit, the principles of AAM section 10,700.04 should be combined with those of this section.

.13 Unqualified Opinion on General Purpose Financial Statements With Reference to Audit of Part of a Fund Type by Another Auditor

Independent Auditor's Report

Addressee:

We have audited the accompanying general purpose* financial statements of City of Example, Any State as of December 31, 19XX, and for the year then ended. These general purpose* financial statements are the responsibility of City of Example, Any State management. Our responsibility is to express an opinion on these general purpose* financial statements based on our audit. We did not audit the financial statements of [identify component unit or fund], which represent XX percent and XX percent, respectively, of the assets and revenues of the [identify fund type]. Those financial statements were audited by other auditors whose report thereon has been furnished to us and our opinion, insofar as it relates to the amounts included for [identify component unit or fund], is based solely upon the report of the other auditors.

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

In our opinion, based upon our audit and the report of other auditors, the general purpose* financial statements referred to above present fairly, in all material respects, the financial position of City of Example, Any State as of December 31, 19XX, and the results of its operations and changes in financial position of its proprietary and similar trust fund types for the year then ended, in conformity with generally accepted accounting principles.

[Signature]

[Date]

[Source: SOP 89-6, Auditors' Reports in Audits of State and Local Governmental Units.]

* If the financial statements are for a component unit, the term "general purpose financial statements" should not be used. In the case of a component unit other than the oversight unit, the term "component unit financial statements" or just "financial statements" should be used. For the component unit financial statements of an oversight unit, the principles of AAM section 10,700.04 should be combined with those of this section.

.14 Unqualified Opinion on General purpose Financial Statements With Reference to Audit of All of a Fund Type by Another Auditor

Independent Auditor's Report

Addressee:

We have audited the accompanying general purpose* financial statements of City of Example, Any State as of December 31, 19XX, and for the year then ended. These general purpose* financial statements are the responsibility of City of Example, Any State management. Our responsibility is to express an opinion on these general purpose* financial statements based on our audit. We did not audit the financial statements of [identify fund type], which represent the amounts shown as the [identify fund type]. Those financial statements were audited by other auditors whose report thereon has been furnished to us and our opinion, insofar as it relates to the amounts included for [identify fund type], is based solely upon the report of the other auditors.

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

In our opinion, based upon our audit and the report of other auditors, the general purpose* financial statements referred to above present fairly, in all material respects, the financial position of City of Example, Any State as of December 31, 19XX, and the results of its operations and changes in financial position of its proprietary and similar trust fund types for the year then ended, in conformity with generally accepted accounting principles.

[Signature]

[Date]

[Source: SOP 89-6, Auditors' Reports in Audits of State and Local Governmental Units.]

* If the financial statements are for a component unit, the term "general purpose financial statements" should not be used. In the case of a component unit other than the oversight unit, the term "component unit financial statements" or just "financial statements" should be used. For the component unit financial statements of an oversight unit, the principles of AAM section 10,700.04 should be combined with those of this section.

.15 Report on Financial Statements Prepared in Accordance With a Comprehensive Basis of Accounting Other Than Generally Accepted Accounting Principles

Independent Auditor's Report

Addressee:

We have audited the financial statements of City of Example, Any State as of and for the year ended June 30, 19XX, as listed in the table of contents. These financial statements are the responsibility of City of Example, Any State management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note __, City of Example, Any State prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of Any State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of City of Example, Any State at June 30, 19XX, and the revenues it received and expenditures it paid for the year then ended on the basis of accounting described in Note ____.

[Signature]

[Date]

[Source: SOP 89-6, Auditors' Reports in Audits of State and Local Governmental Units.]

**.16 Unqualified Opinion on a Financial Statement of a Department
Constituting Less Than a Fund**

Independent Auditor's Report

Addressee:

We have audited the accompanying financial statements of Department of Example, Any State as of June 30, 19XX, and for the year then ended. These financial statements are the responsibility of Department of Example, Any State management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note __, the financial statements of Department of Example, Any State are intended to present the financial position and results of operations and changes in financial position of proprietary fund types of only that portion of the funds and account groups of the State that is attributable to the transactions of the Department.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Department of Example, Any State at June 30, 19XX, and the results of its operations and the changes in financial position for the year then ended in conformity with generally accepted accounting principles.

[Signature]

[Date]

[Source: SOP 89-6, Auditors' Reports in Audits of State and Local Governmental Units.]

**.17 Report on Supplementary Information-Schedule of Federal
Financial Assistance**

Independent Auditor's Report

Addressee:

We have audited the general purpose* financial statements of City of Example, Any State for the year ended June 30, 19XX, and have issued our report thereon dated August 15, 19XX. These general purpose* financial statements are the responsibility of City of Example, Any State management. Our responsibility is to express an opinion on these general purpose* financial statements based on our audit.

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

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

[Signature]

[Date]

[Source: SOP 89-6, Auditors' reports in Audits of State and Local Governmental Units.]

* If the financial statements are for a component unit, the term "general purpose financial statements" should not be used. In the case of a component unit other than the oversight unit, the term "component unit financial statements" or just "financial statements" should be used. For the component unit financial statements of an oversight unit, the principles of AAM section 10,700.04 should be combined with those of this section.

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

Independent Auditor's Report

Addressee:

We have audited the general purpose financial statements of City of Example, Any State as of and for the year ended June 30, 19X1, and have issued our report thereon dated August 15, 19X1.

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

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

The results of our tests indicate that, with respect to the items tested, City of Example, Any State complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the City of Example, Any State had not complied, in all material respects, with those provisions.

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

[Signature]

[Date]

[Source: SAS No. 63, paragraph 22 (AU section 801.22)]

.19 Compliance Report Based on an Audit of General Purpose or Basic Financial Statements Performed in Accordance With Government Auditing Standards When, Based on Assessments of Materiality and Audit Risk, the Auditor Concluded it Was Not Necessary to Perform Tests of Compliance With Laws and Regulations

Independent Auditor's Report

Addressee:

We have audited the general purpose financial statements of City of Example, Any State as of and for the year ended June 30, 19X1, and have issued our report thereon dated August 15, 19X1.

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

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

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

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

[Signature]

[Date]

[Source: SAS No. 63, paragraph 22 (AU section 801.22)]

.20 Compliance Report Based on an Audit of General Purpose or Basic Financial Statements Performed in Accordance With Government Auditing Standards When Material Instances of Noncompliance are Identified

Independent Auditor's Report

Addressee:

We have audited the general purpose financial statements of City of Example, Any State as of and for the year ended June 30, 19X1, and have issued our report thereon dated August 15, 19X1.

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

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

Material instances of noncompliance are failures to follow requirements or violations of prohibitions, contained in laws, regulations, contracts or grants, that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the general purpose financial statements. The results of our tests of compliance disclosed the following material instances of noncompliance, the effects of which have been corrected in the 19X1 general purpose financial statements of City of Example, Any State.

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

We considered these material instances of noncompliance in forming our opinion on whether the 19X1 general purpose financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect our report dated August 15, 19X1 on those general purpose financial statements.

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

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

[Signature]

[Date]

[Source: SOP 89-6, Auditors' Reports in Audits of State and Local Governmental Units.]

**.21 Single Audit Opinion on Compliance With Specific Requirements
Applicable to Major Federal Financial Assistance Programs**

Independent Auditor's Opinion

Addressee:

We have audited City of Example, Any State compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; [describe any special tests and provisions]; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs, which are identified in the accompanying schedule of federal financial assistance for the year ended June 30, 19X1. The management of City of Example, Any State is responsible for City of Example, Any State compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

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

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

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

for the year ended June 30, 19X1.

[Signature]

[Date]

[Source: SOP 89-6, Auditors' Reports in Audits of State and Local Governmental Units.]

**.22 Single Audit Opinion on Compliance With Specific Requirements
Applicable to Major Federal Financial Assistance Programs-
Qualified Because of a Scope Limitation**

Independent Auditor's Opinion

Addressee:

We have audited City of Example, Any State compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; [describe any special tests and provisions]; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs, which are identified in the accompanying schedule of federal financial assistance for the year ended June 30, 19X1. The management of the City of Example, Any State is responsible for the City of Example, Any State compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

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

We were unable to obtain sufficient documentation supporting the City of Example, Any State compliance with the requirements of Major Program ABC governing types of services allowed or unallowed; nor were we able to satisfy ourselves as to the City of Example, Any State compliance with those requirements of Major Program ABC by other auditing procedures.

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

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the City of Example, Any State compliance with the requirements

of Major Program ABC governing types of services allowed or unallowed, City of Example, Any State complied, in all material respects, with the requirements governing types of services allowed or unallowed, eligibility; matching, level of effort, or earmarking; reporting; [describe any special tests and provisions]; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs for the year ended June 30, 19X1.

[Signature]

[Date]

[Source: SOP 89-6, Auditors' Reports in Audits of State and Local Governmental Units.]

.23 Single Audit Disclaimer of Opinion on Compliance With Specific Requirements Applicable to Major Federal Financial Assistance Programs

Independent Auditor's Report

Addressee:

We were engaged to audit City of Example, Any State compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; [describe any special tests and provisions]; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs, which are identified in the accompanying schedule of federal financial assistance for the year ended June 30, 19X1. The management of the City of Example, Any State is responsible for the City of Example, Any State compliance with those requirements.

The management of the City of Example, Any State has refused to provide us with written representations that generally accepted auditing standards require us to obtain.

Because of the matter described in the preceding paragraph, the scope of our audit work was not sufficient to enable us to express, and we do not express, an opinion on the City of Example, Any State compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; [describe any special tests and provisions]; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs for the year ended June 30, 19X1.

[Signature]

[Date]

[Source: SAS No. 63, paragraph 77 (AU section 801.77)]

**.24 Single Audit Opinion on Compliance With Specific Requirements
Applicable to Major Federal Financial Assistance Programs--
Qualified Because of Noncompliance**

Independent Auditor's Opinion

Addressee:

We have audited City of Example, Any State compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; [describe any special tests and provisions]; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs, which are identified in the accompanying schedule of federal financial assistance for the year ended June 30, 19X1. The management of the City of Example, Any State is responsible for the City of Example, Any State compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

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

The results of our audit procedures for Major Program ABC disclosed that the City of Example, Any State did not comply with the requirements that the City match the funds received from Major program ABC. In our opinion, the City is matching funds received from Major Program ABC is necessary for the City to comply with the requirements applicable to Major Program ABC.

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

In our opinion, except for those instances of noncompliance with the requirements applicable to Major Program ABC referred to in the third

paragraph of this report and identified in the accompanying schedule of findings and questioned costs, the City of Example, Any State complied, in all material respects, with the requirements governing types of services allowed or unallowed, eligibility; matching, level of effort, or earmarking; reporting; [describe any special tests and provisions]; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs for the year ended June 30, 19X1.

[Signature]

[Date]

[Source: SOP 89-6, Auditors' Reports in Audits of State and Local Governmental Units.]

.25 Single Audit Adverse Opinion on Compliance With Specific Requirements Applicable to Major Federal Financial Assistance Programs

Independent Auditor's Opinion

Addressee:

We have audited City of Example, Any State compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; [describe any special tests and provisions]; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs, which are identified in the accompanying schedule of federal financial assistance for the year ended June 30, 19X1. The management of City of Example, Any State is responsible for City of Example, Any State compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

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

[Add a paragraph describing reasons for the adverse opinion.]

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

In our opinion, because of the noncompliance referred to in the third paragraph, the City of Example, Any State did not comply, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; [describe any special tests and provisions]; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs

for the year ended June 30, 19X1.

[Signature]

[Date]

[Source: SOP 89-6, Auditors' Reports in Audits of State and Local Governmental Units.]

**.26 Single Audit Report on Compliance With the General Requirements
Applicable to Major Federal Financial Assistance Programs**

Independent Auditor's Report

Addressee:

We have applied procedures to test City of Example, Any State compliance with the following requirements applicable to each of its major federal financial assistance programs, which are identified in the schedule of federal financial assistance, for the year ended June 30, 19X1; [List the general requirements applicable to the entity's major federal financial assistance programs (such as political activity, Davis-Bacon Act, civil rights, cash management, relocation assistance and real property management, or federal financial reports).]

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

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

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

[Signature]

[Date]

[Source: SOP 89-6, Auditors' reports in Audits of State and Local Governmental Units.]

.27 Single Audit Report on Compliance With Requirements Applicable to Nonmajor Federal Financial Assistance Program Transactions

Independent Auditor's Report

Addressee:

In connection with our audit of 19X1 general purpose financial statements of City of Example, Any State and with our study and evaluation of City of Example, Any State internal control systems used to administer federal financial assistance programs, as required by Office of Management and Budget Circular (OMB) A-128, Audits of State and Local Governments, we selected certain transactions applicable to certain nonmajor federal financial assistance programs for the year ended June 30, 19X1.

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

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

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

[Signature]

[Date]

[Source: SAS No. 63, paragraph 88 (AU section 801.88).]

**.28 Report on the Internal Control Structure in Accordance With
Government Auditing Standards**

Independent Auditor's Report

Addressee:

We have audited the general purpose financial statements of City of Example, Any State as of and for the year ended June 30, 19XX, and have issued our report thereon dated August 15, 19XX.

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

In planning and performing our audit of the general purpose financial statements of City of Example, Any State for the year ended June 30, 19XX, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

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

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

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operations, and we assessed control risk.*

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.**

[Include paragraphs to describe the reportable conditions noted.]

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

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

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

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

[Signature]

[Date]

[Source: SOP 89-6, Auditors' Reports in Audits of State and Local Governmental Units.]

* This description of the scope of the auditor's consideration of the internal control structure is based on the provisions of SAS No. 55, Consideration of the Internal Control Structure in a Financial Statement Audit [AU section 319]. This description should not be used if the audit has not implemented SAS No. 55. Rather, the description of the scope of the auditor's work should be based on the provisions of SAS No. 1, section 320, the Auditor's Study and Evaluation of Internal Control [AU section 320]. Following is an example of such a description.

Our consideration of the internal control structure included all of the control categories listed above except that we did not evaluate the internal control structure over (identify any category not evaluated) because (state reasons for excluding any category from the evaluation). The purpose of our consideration of the internal control structure was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the entity's financial statements.

If the auditor has not made a study and evaluation of any significant category of the internal control structure beyond the preliminary review phase described in SAS No. 1, section 320.53-.55 [AU section 320.53-.55], a description of the scope of the auditor's work such as the following should be used.

Solely to assist us in planning and performing our audit, we made a study and evaluation of the internal control structure of City of Example, Any State. That study and evaluation was limited to a preliminary review of the structure to obtain an understanding of the control environment and the flow of transactions through the accounting system. Because (state reason), our study and evaluation did not extend beyond this preliminary review phase.

** SAS No. 60, Communication of Internal Control Structure Related Matters Noted in an Audit, Paragraph 17 [AU section 325.17], prohibits the auditor from issuing a written report representing that no reportable conditions were noted during an audit. When the auditor notes no reportable conditions during an audit, he may issue a report shown in AAM section 10,700.28 to satisfy the requirements of Government Auditing Standards.

.29 Report on Internal Control Structure When No Reportable Conditions are Noted in Accordance With Government Auditing Standards

Independent Auditor's Report

Addressee:

We have audited the general purpose financial statements of City of Example, Any State as of and for the year ended June 30, 19XX, and have issued our report thereon dated August 15, 19XX.

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

In planning and performing our audit of the general purpose financial statements of City of Example, Any State for the year ended June 30, 19XX, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

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

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

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operations, and we assessed control risk.

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

However, we also certain matters involving the internal control structure and its operation that we have reported to the management of City of Example, Any State in a separate communication dated August 15, 19XX.

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

[Signature]

[Date]

[Source: SAS No. 63, paragraph 39 (AU section 801.39).]

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

Independent Auditor's Report

Addressee:

We have audited the general purpose financial statements of City of Example, Any State for the year ended June 30, 19XX, and have issued our report thereon dated September 21, 19XX. As part of our audit, we made a study and evaluation of the internal control systems, including applicable internal administrative controls, used in administering federal financial assistance programs to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, the Single Audit Act of 1984, and the provisions of Office of Management and Budget (OMB) Circular A-128, Audits of State and Local Governments. For the purpose of this report, we have classified the significant internal accounting and administrative controls used in administering federal financial assistance programs in the following categories: [identify control categories].*

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

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

Our study included all of the applicable control categories listed above.

During the year ended June 30, 19XX, City of Example, Any State, expended X% of its total federal financial assistance under major federal financial assistance programs. With respect to internal control systems used in administering major federal financial assistance programs, our study and evaluation included considering the types of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weaknesses.

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

Our study and evaluation was more limited than would be necessary to express an opinion on the internal control systems used in administering the federal financial assistance programs of City of Example, Any State. Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance programs of City of Example, Any State. Further, we do not express an opinion on the internal control systems used in administering the major federal financial assistance programs of City of Example, Any State.

Also, our audit, made in accordance with the standards mentioned above, would not necessarily disclose material weaknesses in the internal control systems used in administering nonmajor federal financial assistance programs.

However, our study and evaluation and our audit disclosed the following conditions that we believe result in more than a relatively low risk that errors or irregularities in amounts that would be material to a federal financial assistance program may occur and not be detected within a timely period.*** (A description of the conditions that have come to the auditor's attention would follow; if the study and evaluation and the audit disclose no material weaknesses in relation to a federal financial assistance program, this sentence should state, "However, our study and evaluation and our audit disclosed no condition that we believe to be a material weakness in relation to a federal financial assistance program of City of Example, Any State" and the following paragraph should be omitted.)

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in (1) our audit of the 19XX

general purpose financial statements and (2) our audit of City of Example, Any State compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; [describe any special tests and provisions]; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs, which are identified in the accompanying schedule of federal financial assistance, for the year ended June 30, 19XX. This report does not affect our reports on the general purpose financial statements and on City of Example, Any State compliance with laws and regulations dated September 21, 19XX.

This report is intended solely for the use of the audit committee and [insert name of regulatory body]. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

[Signature]

[Date]

[Source: SOP 89-6, Auditors' Reports in Audits of State and Local Governmental Units.]

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

Cycles of the Entities' Activity

- o Treasury or financing
- o Revenue/receipts
- o Purchases/disbursements
- o External financial reporting

Financial Statements Captions

- o Cash and cash equivalents
- o Receivables
- o Inventory

- o Property and equipment
- o Payables and accrued liabilities
- o Debt
- o Fund balance

Accounting Applications

- o Billings
- o Receivables
- o Cash receipts
- o Purchasing and receiving
- o Accounts payable
- o Cash disbursements
- o Payroll
- o Inventory control
- o Property and equipment
- o General ledger

Controls Used in Administering Federal Programs

Following are general and specific administrative control categories identified by representatives of the federal government.

Controls used in administering individual federal financial assistance programs (refer to the AICPA Audit and Accounting Guide, Audits of State and Local Governmental Units, Chapter 22.)

General Requirements

- o Political activity
- o Davis-Bacon Act
- o Civil rights
- o Cash management

- o Relocation assistance and real property acquisition
- o Federal financial reports

Specific Requirements

- o Types of services
- o Eligibility
- o Matching, level of effort
- o Reporting
- o Cost allocation
- o Special requirements, if any
- o Monitoring subrecipients

** If total assistance expended under major federal financial assistance programs is greater than zero but constitutes less than 50% of total federal assistance expended by the government during the year under audit, the auditor should apply the guidance in the audit and accounting guide, chapter 21 in order to satisfy the objectives of the Single Audit Act. See AAM section 10,700.31 for an example of a report under these circumstances.

If the government had no major federal financial assistance programs during the year under audit, the auditor should apply the guidance in the audit and accounting guide, chapter 21 in order to satisfy the objectives of the Single Audit Act. See AAM section 10,700.32 for an example of a report under these circumstances.

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

Government Auditing Standards, issued by the Comptroller General of the United States, states that well-developed findings concerning material weaknesses in internal controls generally consist of a statement of condition, the criteria, the effect, and the cause.

It is recognized that the auditor may not be able to fully develop all

of these points for each material weakness found, given the scope and purpose of the control study. The auditor should attempt to identify the condition, criteria, effect, and cause to provide sufficient information to federal, state, and local officials to permit timely and proper corrective action. These findings may also serve as a basis for a federal agency's conducting or contracting for additional audit work.

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

- .31 Report on Internal Controls (Accounting and Administrative) - Based on a Study and Evaluation Made as a Part of an Audit of the General Purpose or Basic Financial Statements and the Additional Tests Required by the Single Audit Act (if Total Assistance Expended Under Major Federal Financial Assistance Programs is Greater Than Zero But Constitutes Less Than 50% of Total Federal Assistance Expended by the Government During the Year Under Audit)

Independent Auditor's Report

Addressee:

We have audited the general purpose financial statements of City of Example, Any State for the year ended June 30, 19XX, and have issued our report thereon dated September 21, 19XX. As part of our audit, we made a study and evaluation of the internal control systems, including applicable internal administrative controls, used in administering federal financial assistance programs to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards, the standards for financial and compliance audits contained in the Standards for Audits of Governmental Organizations, Programs, Activities, and Functions, issued by the U. S. General Accounting Office, the Single Audit Act of 1984, and the provisions of OMB Circular A-128, Audits of State and Local Governments. For the purpose of this report, we have classified the significant internal accounting and administrative controls used in administering federal financial assistance programs in the following categories: [identify control categories].*

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

Because of inherent limitations in any system of internal accounting and administrative controls used in administering federal financial assistance programs, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future

periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study included all of the applicable control categories listed above. During the year ended June 30, 19XX, City of Example, Any State expended X% of its total federal financial assistance under major federal financial assistance programs and the following nonmajor federal financial assistance programs: [list appropriate nonmajor federal financial assistance programs]. With respect to internal control systems used in administering these major and nonmajor federal financial assistance programs, our study and evaluation included considering the types of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weaknesses.

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

Our study and evaluation was more limited than would be necessary to express an opinion on the internal control systems used in administering the federal financial assistance programs of City of Example, Any State. Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance programs of City of Example, Any State. Further, we do not express an opinion on the internal control systems used in administering the major federal financial assistance programs of City of Example, Any State.

Also, our audit, made in accordance with the standards mentioned above, would not necessarily disclose material weaknesses in the internal control systems for which our study and evaluation was limited to a preliminary review of the systems as discussed in the fifth paragraph of this report.

However, our study and evaluation and our audit disclosed the following conditions that we believe result in more than a relatively low risk that errors or irregularities in amounts that would be material to a federal financial assistance program may occur and not be detected within a timely period.** (A description of the conditions that have come to the auditor's attention would follow; if the study and evaluation and the audit disclose no material weaknesses in relation to a federal financial assistance

program, this sentence should state, "However, our study and evaluation and our audit disclosed no condition that we believe to be a material weakness in relation to a federal financial assistance program of City of Example, Any State" and the following paragraph should be omitted.)

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in (1) our audit of the 19XX general purpose financial statements and (2) our audit and review of City of Example, Any State compliance with laws and regulations noncompliance with which we believe could have a material effect on the allowability of program expenditures for each major federal financial assistance program and nonmajor federal financial assistance programs. This report does not affect our reports on the general purpose financial statements and on City of Example, Any State compliance with laws and regulations dated September 21, 19XX.

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

[Signature]

[Date]

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

Cycles of the Entities' Activity

- o Treasury or financing
- o Revenue/receipts
- o Purchases/disbursements
- o External financial reporting

Financial Statements Captions

- o Cash and cash equivalents

- o Receivables
- o Inventory
- o Property and equipment
- o Payables and accrued liabilities
- o Debt
- o Fund balance

Accounting Applications

- o Billings
- o Receivables
- o Cash receipts
- o Purchasing and receiving
- o Accounts payable
- o Cash disbursements
- o Payroll
- o Inventory control
- o Property and equipment
- o General ledger

Controls Used in Administering Federal Programs

Following are general and specific administrative control categories identified by representatives of the federal government.

Controls used in administering individual federal financial assistance programs (refer to the AICPA Audit and Accounting Guide, Audits of State and Local Governmental Units, Chapter 22.)

General Requirements

- o Political activity
- o Davis-Bacon Act

- o Civil rights
- o Cash management
- o Relocation assistance and real property acquisition
- o Federal financial reports

Specific Requirements

- o Types of services
- o Eligibility
- o Matching, level of effort
- o Reporting
- o Cost allocation
- o Special requirements, if any
- o Monitoring subrecipients

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

The Standards for Audits of Governmental Organizations, Programs, Activities and Functions, issued by the U.S. General Accounting Office, states that well-developed findings concerning material weaknesses in internal controls generally consist of a statement of condition, the criteria, the effect and the cause.

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

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

.32 Report on Internal Controls (Accounting and Administrative) - Based on a Study and Evaluation Made as a Part of an Audit of the General Purpose or Basic Financial Statements and the Additional Tests Required by the Single Audit Act (if the Government had No Major Federal Financial Assistance Programs During the Year Under Audit)

Independent Auditor's Report

Addressee:

We have audited the general purpose financial statements of City of Example, Any State for the year ended June 30, 19XX, and have issued our report thereon dated September 21, 19XX. As part of our audit, we made a study and evaluation of the internal control systems, including applicable internal administrative controls, used in administering federal financial assistance programs to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards, the standards for financial and compliance audits contained in the Standards for Audits of Governmental Organizations, Programs, Activities, and Functions, issued by the U. S. General Accounting Office, the Single Audit Act of 1984, and the provisions of OMB Circular A-128, Audits of State and Local Governments. For the purpose of this report, we have classified the significant internal accounting and administrative controls used in administering federal financial assistance programs in the following categories: [identify control categories].*

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

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

Our study included all of the applicable control categories listed above. During the year ended June 30, 19XX, City of Example, Any State, had no major federal financial assistance programs and expended X% of its total federal financial assistance under the following nonmajor federal financial assistance programs: [list appropriate nonmajor federal financial assistance programs]. With respect to internal control systems used in administering these nonmajor federal financial assistance programs, our study and evaluation included considering the types of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weaknesses.

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

Our study and evaluation was more limited than would be necessary to express an opinion on the internal control systems used in administering the federal financial assistance programs of City of Example, Any State. Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance programs of City of Example, Any State.

Also, our audit, made in accordance with the standards mentioned above, would not necessarily disclose material weaknesses in the internal control systems for which our study and evaluation was limited to a preliminary review of the systems, as discussed in the fifth paragraph of this report.

However, our study and evaluation and our audit disclosed the following conditions that we believe result in more than a relatively low risk that errors or irregularities in amounts that would be material to a federal financial assistance program may occur and not be detected within a timely period.** (A description of the conditions that have come to the auditor's attention would follow; if the study and evaluation and the audit disclose no material weaknesses in relation to a federal financial assistance program, this sentence should state, "However, our study and evaluation and our audit disclosed no condition that we believe to be a material weakness in relation to a federal financial assistance program of City of Example, Any State" and the following paragraph should be omitted.)

These conditions were considered in determining the nature, timing, and

extent of the audit tests to be applied in (1) our audit of the 19XX general purpose financial statements and (2) our audit and review of City of Example, Any State compliance with laws and regulations noncompliance with which we believe could have a material effect on the allowability of program expenditures for each major federal financial assistance program and nonmajor federal financial assistance programs. This report does not affect our reports on the general purpose financial statements and on the City of Example, Any State compliance with laws and regulations dated September 21, 19XX.

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

[Signature]

[Date]

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

Cycles of the Entities' Activity

- o Treasury or financing
- o Revenue/receipts
- o Purchases/disbursements
- o External financial reporting

Financial Statements Captions

- o Cash and cash equivalents
- o Receivables
- o Inventory
- o Property and equipment

- o Payables and accrued liabilities
- o Debt
- o Fund balance

Accounting Applications

- o Billings
- o Receivables
- o Cash receipts
- o Purchasing and receiving
- o Accounts payable
- o Cash disbursements
- o Payroll
- o Inventory control
- o Property and equipment
- o General ledger

Controls Used in Administering Federal Programs

Following are general and specific administrative control categories identified by representatives of the federal government.

Controls used in administering individual federal financial assistance programs (refer to the AICPA Audit and Accounting Guide, Audits of State and Local Governmental Units, Chapter 22.)

General Requirements

- o Political activity
- o Davis-Bacon Act
- o Civil rights
- o Cash management
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- o Federal financial reports

Specific Requirements

- o Types of services
- o Eligibility
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- o Reporting
- o Cost allocation
- o Special requirements, if any
- o Monitoring subrecipients

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

The Standards for Audits of Governmental Organizations, Programs, Activities and Functions, issued by the U.S. General Accounting Office, states that well-developed findings concerning material weaknesses in internal controls generally consist of a statement of condition, the criteria, the effect and the cause.

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

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

FSP Section 3000

Disclosure Checklists and Illustrative Financial Statements State and Local Governmental Units

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

.02 The checklists and illustrative financial statements included in this section have been developed by the staff of the Technical Information Division of the AICPA as nonauthoritative technical practice aids. At the request of certain AICPA members, these checklists and illustrative financial statements are also being made available for purchase by AICPA members subject to their recognition of the following:

- o The checklists and illustrative statements are "tools" and in no way represent official positions or pronouncements of the AICPA.
- o The checklists and illustrative financial statements have been updated through Codification of Governmental Accounting and Financial Reporting Standards, Second edition (GASB), Audits of State and Local Governmental Units (AICPA), SAS No. 63, FASB Statement of Financial Accounting Standards No. 102, FASB Interpretation No. 38, and FASB Technical Bulletin No. 88-2. The checklists and 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.
- o The checklists and illustrative financial statements should be used by or under the supervision of persons having adequate technical training and proficiency in the application of generally accepted accounting principles and generally accepted auditing standards. A thorough knowledge of the provisions of "Codification of Governmental Accounting and Financial Reporting Standards (June 1987)," the U.S. General Accounting Office's "Government Auditing Standards" (GAO's Standards for Audit (1988 Revision), and the AICPA's "Audits of State and Local Governmental Units" (1986) is required for proper implementation of these checklists.
- o The checklists and illustrative financial statements do not represent minimum requirements and do not purport to be all-inclusive. The referenced standards should be reviewed if clarification is desired as to whether the disclosures indicated are required or suggested and to what extent each disclosure is relevant to the statements being reviewed.
- o These checklists and illustrative financial statements are

applicable for audits done in accordance with Generally Accepted Auditing Standards (GAAS) and Government Auditing Standards (GAGAS). They may require some modification for audits done in accordance with GAAS only.

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

FSP Section 3100

Introduction

.01 An increasing number of state and local governments are preparing financial statements in conformity with generally accepted accounting principles (GAAP), and more of those statements are being audited in accordance with generally accepted auditing standards (GAAS). The increased demand for improved financial reporting has resulted in a number of recent significant changes in government financial reporting.

Accounting Standards

.02 Since its establishment in 1984, the Governmental Accounting Board (GASB) has been the primary source of generally accepted accounting principles for governments. According to SAS No. 52, "Omnibus Statement on Auditing Standards--1987" (AICPA Professional Standards, AU Sec. 411), statements and interpretations issued by the GASB are now recognized within category (a) as a source of established accounting principles, "Accounting principles promulgated by a body designated by the AICPA Council to establish such principles, pursuant to rule 203 (ET section 203.01) of the AICPA Code of Professional Conduct." Technical Bulletins issued by the GASB are included within category (b), "Pronouncements of bodies composed of expert accountants that follow a due process procedure, including a broad distribution of proposed accounting principles for public comment, for the intended purpose of establishing accounting principles or describing existing practices that are generally accepted." The GASB's first pronouncement, Authoritative Status of NCGA Pronouncements and AICPA Industry Audit Guide, issued in June of 1984, endorsed prior statements and interpretations of the National Council on Government Accounting. This position was codified by GASB on November 1, 1984, with the publication of its Codification of Governmental Accounting and Financial Reporting Standards. GASB pronouncements issued after the date may alter, amend, supplement, revoke, or supersede the guidance in the Codification. The second edition of the Codification was issued in June 1987.

Auditing Standards

.03 In 1972, the Comptroller General of the United States issued Standards for Audit of Governmental Organizations, Programs, Activities and Functions (Standards for Audit issued by the GAO (U.S. General Accounting Office)). Those standards were revised and reissued in 1981 and 1988 (now referred to as Government Auditing Standards). These government auditing standards adopt and incorporate all of the existing AICPA's Statement on Auditing Standards for field work and reporting for financial statement and financial-related audits. Additionally, all future Statements are automatically included unless the General Accounting Office specifically excludes them by formal announcement. The additional governmental standards, beyond the generally accepted standards of the AICPA, relate principally to requirements for (a) performing reviews and tests for

compliance with federal laws and regulations and including in a compliance report positive assurance on items tested and certain other compliance reporting requirements; (b) submitting a detailed report on the study and evaluation of internal accounting controls, which is not required by the AICPA's generally accepted accounting standards; and (c) stating the audit was performed in accordance with the Standards for Audit issued by the GAO.

.04 In April 1989, the AICPA issued Statement on Auditing Standards No. 63, Compliance Auditing Applicable to Governmental Entities and Other Recipients of Governmental Financial Assistance, to be effective for fiscal periods beginning on or after January 1, 1990. This SAS provides the standards for reporting on compliance and an explanation of "compliance" as the term is used in conjunction with (1) generally accepted auditing standards (the AICPA); (2) generally accepted government auditing standards (the GAO); and (3) the Single Audit Act (the Act of 1984 and OMB's Circular A-128, which is the implementing regulation for the Act).

.05 In 1979 the federal Office of Management and Budget (OMB) established a single audit concept for federally assisted programs by the issuance of attachment P to Circular A-102, the administrative guidelines for federal grants and contracts awarded to state and local governments. This concept was incorporated into law by passage, in October, of the Single Audit Act of 1984. Later, in April 1985, OMB issued Circular A-128, "Audits of State and Local Governments," which superseded attachment P. Circular A-128 was issued as the implementing regulation for the Single Audit Act. The Act, along with Circular A-128, established more detailed auditing and reporting requirements for those governmental units receiving \$100,000 or more of federal assistance in any fiscal year.

The Accounting System

.06 The accounting system of governments, unlike the private sector, is on a fund accounting basis. A fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. There are four governmental funds--general, special revenue, capital projects, and debt service funds; two proprietary funds--enterprise and internal service funds; one fiduciary fund--trust and agency fund; and two account groups--general fixed assets and general long-term debt account groups. Only the minimum number of funds consistent with legal and operating requirements should be established. Fixed assets related to specific proprietary funds or trust funds should be accounted for through those funds. All other fixed assets of a governmental unit should be accounted for through the general fixed asset account group. Long-term liabilities of proprietary funds and trust funds should be accounted for through those funds. All other unmatured general long-term

liabilities of the governmental unit, including special assessment debt for which the government is obligated in some manner, should be accounted for through the General Long-Term Debt Account Group.

Basis of Accounting

.07 Governments use the accrual or modified accrual basis of accounting as appropriate. Governmental funds use the modified accrual basis of accounting to recognize revenues and expenditures. Revenues are recognized in the accounting period in which they become available and measurable. Available means then due, or past due and receivable within the current period, or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should be recognized when due. Property fund revenues and expenses are recognized on the accrual basis. Revenues are recognized in the accounting period in which they are earned and become measurable and expenses are recognized in the period incurred, if measurable. Fiduciary funds recognize revenues and expenses or expenditures on the basis consistent with the fund's accounting measurement objective. Nonexpendable trust and pension trust funds are accounted for on the accrual basis; expendable trust funds are accounted for on the modified accrual basis. Agency fund assets and liabilities are accounted for on the modified accrual basis.

Budgeting

.08 An annual budget should be adopted by every governmental unit. The accounting system should provide the basis for appropriate budgetary control. A common terminology and classification should be used consistently throughout the budget, the accounts, and the financial reports of each fund.

FSP Section 3200

Disclosure Checklists--General

Note: These checklists cover GAAP disclosures applicable to general purpose financial statements (GPFS) and do not address additional disclosures applicable only to a comprehensive annual financial report (CAFR).

.01 Many auditors and accountants find it helpful to use checklists as practice aids in the preparation of financial statements and reports. Some firms have developed their own checklists for internal use, and may also have specialized checklists to meet the needs of their practices, such as checklists for clients in particular industries or clients that report to the SEC. Some state CPA societies have developed checklists as practice aids which may be available to other practitioners as well as to their own members. Some commercial publishers also include checklists in certain of their publications. However, authoritative literature does not require the use of such checklists, nor does it prescribe their format or content, which may vary.

.02 Checklists typically consist of a number of brief questions or statements that are accompanied by references to a GASB or FASB Statement or Interpretation, an APB Opinion, or an AICPA Accounting Research Bulletin. The extent of detail included in checklists varies with the judgment of the preparer on how extensively to refer to and highlight authoritative literature without developing a checklist that is too long and unwieldy. Accordingly, checklists may serve as convenient memory aids but cannot be used as a substitute for direct reference to the authoritative literature.

.03 Checklists usually provide for checking off or initialling each question or point to show that it has been considered. The format used in these sections is a typical one; it provides for "yes," "no," and "not applicable" answers and presumes that remarks would be prepared on separate cross-referenced memorandums. Some preparers, however, prefer to include space for remarks in the body of the checklist while others prefer alternative checklist formats. For example, a checklist format may provide for the following set of answers: "not applicable," "not material," "in statements" and "in note" (with provisions for indicating a cross-reference to the specific statement caption or note). Another format may provide for only two answers, "disclosed" and "not applicable." Firms and practitioners who develop their own checklists should adopt formats that suit their needs and preferences.

.04 Disclosure checklists are generally accompanied by caveats that include all of the following points:

- o Use of the checklists requires the exercise of individual professional judgment and may likely require some modification based on the circumstances of individual engagements.

- o The checklists are not all-inclusive and are not intended to present minimum requirements.
- o Users need to modify the checklists for any pronouncements issued subsequent to those mentioned in the checklists.

If widespread circulation is expected, the preparers also generally stress the nonauthoritative or unofficial status of the checklists and disclaim responsibility for the way they may be used.

.05 Determine whether any pronouncements issued after November 1, 1989 have a bearing on the financial statements considered.

.06 Verify that all the comments and suggestions made by prior reviewers have been checked for current applicability or whether follow-up for the current year was advised. (This applies to in-house or external reviewers, e.g., GAO, etc.)

FSP Section 3300

Financial Section--Auditor's Report

.01 These checklists have been developed by the staff of the Technical Information Division of the AICPA as a nonauthoritative practice aid. Accordingly, the notice in section 3000 is incorporated herein by reference.

.02 Explanation of references:

- GAGAS= Generally accepted government auditing standards--Those auditing standards set forth in the publication "Government Auditing Standards," ("Yellow Book") issued by GAO, 1988 Revision
- GAO= General Accounting Office
- SAS= Statements on Auditing Standards
- (AU)= Reference to section number in AICPA Professional Standards (Vol. 1) of SAS cited
- GASB= Codification of Governmental Accounting and Financial Reporting Standards, second edition, by the Governmental Accounting Standards Board (revised June 1987)
- SFAS= Statements of Financial Accounting Standards
- FASB= Reference to FASB number in Accounting Standards, Original Pronouncements or to Accounting Standards, Current Text
- ASLGU= Audit and Accounting Guide, AICPA, 1986, Audits of State and Local Governmental Units

.03 Checklist Questionnaire

	Yes	No	N/A
1. Does the auditor's report include appropriate:			
a. Addressee? [SAS 58, par. 9 (AU 508.09)]	_____	_____	_____
2. Does the report of the independent auditor precede the basic financial statements? [GASB 2, Sec. 220.102 (GASB Cod. Sec. 2200.102)]	_____	_____	_____
3. Does the auditor's report:			
a. Adequately identify the governmental reporting entity? [GASB 1, Sec. 2100.122 (GASB Cod. Sec. 2100.122)]	_____	_____	_____
b. Cover all funds and account groups of the reporting entity and include both (a) the general purpose financial statements (GPFS) by fund type and account group and (b) combining statements by fund type and individual fund statements? [GASB 1, Sec. 2100.102, 2200.100 and .101 (GASB Cod. Sec. 2100.102, 2200.100 and .101)]	_____	_____	_____
c. Indicate that all includable component units have been audited? [ASLGU, Ch. 18, par. 29]	_____	_____	_____
d. Make reference to other auditors?	_____	_____	_____
e. If the answer to 3d is yes, is disclosure made of the magnitude of the financial statements audited by the other auditors, as well as identification of the fund types and account groups in which the amounts are included? [SAS 1, sec. 543, par 3 (AU 543.03); SAS 58, par. 12 (AU 508.12); ASLGU, Ch. 18, par. 38]	_____	_____	_____
f. Indicate, in the scope section, the division of responsibility between that portion of the work they conducted and that conducted by others, and the magnitude of the audit work completed by others when the auditors decided to rely on the work of others, but do not take full responsibility for that work? [GAGAS, Ch. 3, p. 16]	_____	_____	_____

Yes No N/A

- g. Does the report cover the general purpose or component unit financial statements?
[ASLGU, Ch. 18, pars. 30-31] _____
4. If the auditor is not independent, has the appropriate disclaimer been expressed regardless of the extent of services provided?
[SAS 1, Sec. 220 (AU 220)] _____
5. Does the reporting language conform with the auditor's standard report on:
- a. Financial statements of a single year or period?
[SAS 58, par. 8 (AU 508.08)] _____
- b. Comparative financial statements?
[SAS 58, par. 8 (AU 508.08); ASGLU, Ch. 18, par. 27] _____
6. Does the report include appropriate language in respect of the following:
- a. Report of a predecessor auditor for prior year has not been included with current comparative financial statements?
[SAS 7 (AU 315); SAS 58, par. 83 (AU 508.83)] _____
- b. Date (or dual dates) of the report?
[SAS 1, sec. 530 (AU 530); SAS 26, pars. 15-17 (AU 504.15-.17); SAS 58, par. 74 (AU 508.74)] _____
- c. Comparative financial statements with differing opinions on individual financial statements?
[SAS 58, pars. 74-76 (AU 508.74-.76)] _____
- d. Does the report on the general purpose or component unit financial statements cover all the required matters concerning the financial position and results of financial operations of the entire governmental unit and, if applicable, changes in financial position for all proprietary and similar trust funds?
[ASLGU, Ch. 18, par. 21] _____
- e. Does the wording of the report contain a statement that the audit was made in accordance

Yes No N/A

with generally accepted government auditing standards as well as in accordance with generally accepted auditing standards?
[GAGAS, Ch. 5, p. 1]

f. If the report is on one basic financial statement, does the report indicate that there are no scope limitations?
[SAS 58, par. 47 (508.47)]

g. Audited and unaudited financial statements in comparative form?
[SAS 26, pars. 9 and 27 (AU 504.14-.27)]

h. Is abuse or illegal acts that auditors become aware of covered in either the overall report or a separate report if including them in the overall report would compromise investigation or legal proceedings or otherwise preclude the report from being released to the public?
[GAGAS, Ch. 7, p. 9]

7. Has explanatory language been added to the standard auditor's report if:

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

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

c. The financial statements are affected by uncertainties concerning future events, the outcome of which is not susceptible of reasonable estimation at the date of the auditor's report?
[SAS 58, pars. 16-33 (AU 508.16-.33)]

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

	Yes	No	N/A
e. There has been a material change between periods in accounting principles or in the method of their application? [SAS 58, pars. 34-36 (AU 508.34-.36)]	_____	_____	_____
f. In an updated report on comparative financial statements the opinion(s) on the prior period(s) is different from the one(s) previously expressed? [SAS 58, pars. 77, 78 and 81-83 (AU 508.77-.78 and .81-.83)]	_____	_____	_____
g. Supplementary information required by the Financial Accounting Standards Board (FASB) or the Governmental Accounting Standards Board (GASB) has been omitted, the presentation of such information departs materially from FASB or GASB guidelines, the auditor is unable to complete prescribed procedures with respect to such information, or the auditor is unable to remove substantial doubts about whether the supplementary information conforms to FASB or GASB guidelines? [SAS 52, par. 2 (AU 558)]	_____	_____	_____
h. Other information in a document containing audited financial statements is materially inconsistent with information appearing in the financial statements? [SAS 8 (AU 550)]	_____	_____	_____
i. A matter regarding the financial statements needs to be emphasized? [SAS 58, par. 37 (AU 508.37)]	_____	_____	_____
8. Has a qualified opinion or disclaimer of opinion been considered if:			
a. Scope limitations precluded application of one or more auditing procedures considered necessary in the circumstances? [SAS 31, par. 22 (AU 326.23), SAS 58, pars. 40-44 (AU 508.40-.44)]	_____	_____	_____
b. As a result of the criteria established by GASB Cod. Sec. 2100, many governmental units'			

financial reports have been expanded to include component units that were previously reported separately. Where the financial statements of those units are unaudited, has the auditor's opinion on the general purpose financial statements been qualified or disclaimed, depending on the materiality of the unaudited component unit to the governmental unit's financial statements?

[ASLGU, Ch. 18, par. 37]

9. If the auditor is engaged to audit the combining and individual fund and account group financial statements in addition to a GPFS or CUFS, does the auditor's opinion address each presentation as a primary statement? If supporting schedules accompany those financial statements, does the auditor's opinion state whether the information in those schedules is presented fairly in conformity with GAAP in all material respects in relation to the financial statements of each of the individual funds and account groups taken as a whole or disclaim an opinion on such information?

[ASLGU, Ch. 18, par. 31]

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

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

11. Has a qualified opinion or adverse opinion been expressed if the following circumstances are present?

a. Lack of conformity with generally accepted accounting principles (including inadequate disclosure)?

[SAS 32, par. 3, (AU 431.03); SAS 34, par. 11 (AU 340.11); SAS 58, pars. 49-66 (AU 508.49-.66); SAS 54, par. 18 (AU 317.18)]

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

[ASLGU, Ch. 18, par. 33]

- c. If financial statements for funds, fund types or account groups that should be included in the GPFS or CUFS (such as the general fixed assets account group or an enterprise fund) are omitted, has the auditor expressed a qualified or an adverse opinion because of a GAAP departure?
 (ASLGU, Ch. 18, par. 34)

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

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

- 12. If the auditor did not follow an applicable standard, was the scope section of their report modified to disclose that the applicable standard was not followed, the reasons therefor, and the known effect of not following the standard had on the result of the audit?
 [GAGAS, Ch. 5, p. 1-2]

- 13. Where the circumstances are such that an oversight unit issues its separate component unit financial statements that exclude all other component units considered a part of the reporting entity, are the limitations of the financial statements clearly disclosed so as to prevent the misinterpretation that these are the complete financial statements of the reporting entity?
 [ASLGU, Ch. 18, par. 32]

- 14. If the auditor has been engaged to audit financial statements of only a specified fund or group of funds that are not intended to present fairly financial position, results of operations, or changes in financial position of either the reporting entity or component unit in conformity with GAAP, does the auditor's report include a middle paragraph calling attention to the fact that the financial statements are not intended to present financial position and

	Yes	No	N/A
<p>results of operations of the reporting entity or component unit? [ASLGU, Ch. 18, par. 35]</p>	_____	_____	_____
<p>15. If the independent auditor was engaged to audit financial statements presented in conformity with neither GAAP nor any other comprehensive basis of accounting, has the standard form of report been used and modified because of the departure from GAAP? [ASLGU, Ch. 18, par. 40]</p>	_____	_____	_____
<p>16. Where local or state governmental regulations require that larger CPA firms employ minority or smaller firms or both to participate in the audit, is the report on the examination signed by the individual or firm that has complied with GAAS and is in a position to justify being the only signatory of the report? [ASLGU, Ch. 18, par. 41; SAS 1, sec. 543, par. 4 (AU 543.04)]</p>	_____	_____	_____
<p>17. If a qualified opinion, adverse opinion or disclaimer of opinion is expressed:</p>			
<p>a. Are all the substantive reasons for the opinion or disclaimer disclosed? [SAS 58, pars. 39 and 71 (AU 508.39 and .71)]</p>	_____	_____	_____
<p>b. Is the reporting language clear and appropriate for the -</p>			
<p>(1). Qualified opinion? [SAS 58, pars. 38-66 (AU 508.38-.66)]</p>	_____	_____	_____
<p>(2). Adverse opinion? [SAS 58, pars. 67-69 (AU 508.67-.69)]</p>	_____	_____	_____
<p>(3). Disclaimer of opinion? [SAS 58, pars. 70-72 (AU 508.70-.72)]</p>	_____	_____	_____
<p>18. Does the report include modification, if applicable, for the following:</p>			
<p>a. Conditions that precluded application of necessary auditing procedures to opening</p>			

Yes No N/A

- inventories and/or long-term investments?
[SAS 58, par. 42 (AU 508.42)] _____
- b. Inadequate disclosure?
[SAS 58, par. 55 (AU 508.55)] _____
- c. Client representations about related party transactions?
[SAS 45, par. 2 (AU 334.12)] _____
- d. Client's refusal to provide written representation?
[SAS 19, par. 11 (AU 333.11)] _____
- e. Limitations on scope of lawyer's response?
[SAS 12, pars. 12-14 (AU 337.12-.14)] _____
- f. Unresolved matters involving specialists?
[SAS 11, par. 9 (AU 336.09)] _____
- g. Financial statements materially affected by an irregularity?
[SAS 53, par. 26 (AU 316.26)] _____
- h. Illegal acts by clients? [SAS 54 (AU 317)] _____
- i. Material misstatement of the financial statements?
[SAS 47, par. 31 (AU 312.31)] _____
- j. Financial statements issued before the effective date of a Statement of Governmental Accounting and Financial Reporting Standards (GAFRS) or Statement of Financial Accounting Standards (SFAS) when disclosure is not made of the effect of a restatement which will be required in the future as a result of the GASB or FASB Statement?
[Interpretation 3 of SAS 1, section 410 (AU 9410.13-.15)] _____
- 19. Has a piecemeal opinion been avoided?
[SAS 62, par. 14 (AU 623.14); SAS 58, par. 73 (AU 508.73)] _____
- 20. For special reports, have the provisions of the SAS Nos. 35 and 62 been complied with regarding: _____

Yes No N/A

- a. Statements prepared in accordance with a comprehensive basis of accounting other than generally accepted accounting principles?
[SAS No. 62, pars. 2-8 (AU 623.02-.08)] _____
 - b. Specified elements, accounts or items of a financial statement?
[SAS No. 62, pars. 11-18 (AU 623.11-.18); SAS No. 35 (AU 622)] _____
 - c. Compliance with aspects of agreements or regulatory requirements relating to audited financial statements?
[SAS No. 62, pars. 19-21 (AU 623.19-.21)] _____
 - d. Financial presentations to comply with contractual agreements or regulatory provisions?
[SAS 62, pars. 22-30 (AU 623.22-.30)] _____
 - e. Financial information that requires a prescribed form of auditor's report?
[SAS 62, pars. 32-33 (AU 623.32-.33)] _____
21. Was additional explanatory language added to the special report in the following situations:
- a. If there has been a lack of consistency in accounting principles was an explanatory paragraph added to the report, following the opinion paragraph, that describes the change and refers to the note to the financial presentation (or specified elements, accounts, or items thereof) that discusses the change and its effect thereon? _____
 - b. If the financial statements are affected by uncertainties concerning future events, the outcome of which is not susceptible of reasonable estimation at the date of the auditor's report, did the auditor add an explanatory paragraph after the opinion paragraph if the uncertainties are considered relevant to the presentation? _____
 - c. If the auditor has substantial doubt about the entity's ability to continue as a going concern

for a reasonable period of time not to exceed one year beyond the date of the financial statements did the auditor add an explanatory paragraph after the opinion paragraph of the report only if the auditor's substantial doubt is relevant to the presentation?

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

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

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

22. If the auditor is reporting on financial statements prepared on a comprehensive basis of accounting other than generally accepted accounting principles, has the auditor considered whether the financial statements (including the accompanying notes) include all informative disclosures that are appropriate for the basis of accounting used?

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

23. Do the notes include a summary of significant accounting policies that discusses the basis of presentation and describes how that basis differs from generally accepted accounting principles?

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

24. When the financial statements prepared on another comprehensive basis of accounting contain items that are the same or similar to those in financial statements prepared in conformity with generally

- accepted accounting principles were similar disclosures made?
[SAS 62, par. 10 (AU 623.10)] _____
25. Were disclosures made related to matters that are not specifically identified on the face of the financial statements, such as (a) related party transactions, (b) restrictions on assets and owners' equity, (c) subsequent events, and (d) uncertainties?
[SAS 62, par. 10 (AU 623.10)] _____
26. Does the report on compliance with laws and regulations cover the auditor's tests of compliance with laws and regulations and include all significant instances of noncompliance and abuse?
[GAGAS, Ch. 5, p. 2 and Ch. 7, p. 7] _____
27. Does the compliance report contain:
- a. A statement of positive assurance for those items which were tested for compliance and negative assurance on those items not tested? _____
 - b. All material instances of noncompliance, and all instances or indications of illegal acts which could result in criminal prosecution?
[GAGAS, Ch. 5, p. 2 and Ch. 7, p. 7; SAS 63, par. 18 (AU 801.18)] _____
28. Does the report on compliance with laws and regulations conform to the provisions of SAS 63, par. 21?
[SAS 63, par. 21 (AU 801.21)] _____
29. When the financial audit did not require tests of compliance with laws and regulations, did the report contain a statement that the auditor did not test for compliance with laws and regulations?
[GAGAS, Ch. 5, p. 3] _____
30. If the auditing procedures disclosed material instances of noncompliance, have the statements of positive and negative assurance been modified?
[SAS 63, par. 24 (AU 801.24)] _____

Yes No N/A

31. Does the qualified report include:

a. The definition of material instances of noncompliance?

b. An identification of material instances of noncompliance noted?

c. A statement that the noncompliance noted was considered in forming an opinion on whether the entity's financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles? [SAS 63, par. 24 (AU 801.24)]

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

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

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

35. Does the auditor's report on internal control cover this understanding of the entity's internal control structure and the assessment of control risk made as part of a financial statement audit, or a financial related audit? [GAGAS, Ch. 5, p. 5]

	Yes	No	N/A
36. Does the report on the internal control structure include, as a minimum:			
a. The scope of the auditor's work in obtaining an understanding of the internal control structure and in assessing the control risk?	_____	_____	_____
b. The entity's significant internal controls established to ensure compliance with laws and regulations that have a material impact on the financial statements and results of the financial related audit?	_____	_____	_____
c. The reportable conditions, including the identification of material weaknesses, identified as a result of the auditor's work in understanding and assessing the control risk? [GAGAS, Ch. 5, pp. 5-6 and Ch. 7, p.6]	_____	_____	_____
37. Does the report on the internal control structure comply to the provisions of SAS 63, par. 37? [SAS 63, par. 37 (AU 801.37)]	_____	_____	_____
38. If no reportable conditions were noted during the audit was a report in accordance with SAS 63, par. 39 issued? [SAS 63, par. 39 (AU 801.39)]	_____	_____	_____
39. If an audit was required by the Single Audit Act, does the auditor's report(s) include references to the GAO's Government Auditing Standards (1988 Revision), where required, and contain the following:			
a. The auditor's report on an examination of the entity as a whole, or the department, agency, or establishment covered by the audit? [ASLGU, Ch. 17, par. 28 and Ch. 23, par. 1]	_____	_____	_____
b. The auditor's report on a supplementary schedule of the entity's Federal financial assistance programs, showing, at a minimum, total expenditures for each federal assistance program? [ASLGU, Ch. 17, par. 29 and Ch. 23, par. 1]	_____	_____	_____

c. The auditor's report on internal controls (accounting and administrative) identifying:

(1). The entity's significant internal accounting controls and those controls designed to provide reasonable assurance that Federal programs are being managed in compliance with laws and regulations?
[ASLGU, Ch. 21, par. 9]

(2). The controls that were evaluated? (Note: Controls over major federal programs must be studied and evaluated, no exceptions permitted.)

(3). The controls that were not evaluated?

(4). The material weaknesses identified as a result of the evaluation?

(5). If applicable, the reasons why no study of internal controls was made?
[ASLGU, Appendix E, OMB Circular No. A-128, item 13a(2)]

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

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

42. If the auditor is disclaiming his or her opinion due to a scope limitation:

a. Were the reasons indicated, in a separate paragraph, why the audit did not comply with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States or OMB Circular A-128?

	Yes	No	N/A
b. Did the auditor state that the scope of his or her audit was not sufficient to warrant the expression of an opinion?	_____	_____	_____
c. Did the auditor disclose any reservations he or she had regarding compliance with applicable laws and regulations? [SAS 63, par. 77 (AU 801.77)]	_____	_____	_____
43. If an auditor expresses a qualified or adverse opinion due to noncompliance with requirements governing a major federal financial assistance program did the auditor state the basis for such an opinion in the report? [SAS 63, par. 78 (AU 801.78)]	_____	_____	_____
44. If an entity falls under the Single Audit Act, for major programs, does the report on compliance with general requirements comply with the provisions of SAS 63, par. 83? [SAS 63, par. 83 (AU 801.83)]	_____	_____	_____
45. If an entity falls under the Single Audit Act, for nonmajor programs does the report on compliance comply with the provisions of SAS 63, par. 87 (AU 801.87)? [SAS 63, par. 87 (AU 801.87)]	_____	_____	_____
46. When appropriate, did the auditor issue a separate report on fraud, abuse, or illegal acts, or indications of such acts? [ASLGU, Ch. 23, par. 1; AGAS, Ch. 5, pp 4-6]	_____	_____	_____
47. If required by contractual obligations, were findings presented in accordance with the guidance in the GAO's Standards for Audit (1988 Revision) regarding reporting on performance audits? [GAGAS, Ch. 2, pp. 3-5]	_____	_____	_____
48. If the auditor is not able to follow an applicable standard and is not able to withdraw from an engagement, did the auditor disclose in the scope section of his report, the fact that an applicable standard was not followed, the reasons therefor, and the known effect not following the standard had on the results of the audit? [GAGAS, Ch. 3, p. 10]	_____	_____	_____

	Yes	No	N/A
49. Was the determination that certain standards do not apply to the audit documented in the working papers? [GAGAS, Ch. 3, p. 10]	_____	_____	_____
50. Does the auditor's report disclose the status of known but uncorrected significant or material findings and recommendations from prior audits that affect the current audit objective? [GAGAS, Ch. 3, p. 16]	_____	_____	_____
51. Does the auditor's report disclose audit scope impairments in the scope section of his report and the known effect it had on the results of the audit? [GAGAS, Ch. 3, p. 17]	_____	_____	_____

FSP Section 3400

Financial Section - Financial Statements

.01 These checklists have been developed by the staff of the Technical Information Division of the AICPA as a nonauthoritative practice aid. Accordingly, the notice in section 3000 is incorporated herein by reference.

.02 Explanation of references:

- TPA= Technical Practice Aids
- ARB= Accounting Research Bulletin
- APB= Accounting Principles Board Opinion
- SFAS= Statement of Financial Accounting Standards
- SAS= Statement on Auditing Standards
- FASBI= Financial Accounting Standards Board Interpretation
- TB= Technical Bulletin issued by the FASB

[The FASB staff issues FASB Technical Bulletins to provide guidance concerning the application of FASB Statements or Interpretations, APB Opinions, or Accounting Research Bulletins. FASB Technical Bulletins do not establish new financial accounting and reporting standards or amend existing standards.]

- (AC)= Reference to section number in FASB Accounting Standards Current Text
- (AU)= Reference to section number in AICPA Professional Standards (vol. 1) of SAS cited
- OMB= Office of Management and Budget Circular No. A-110
- GPFS= General Purpose Financial Statements
- CAFR= Comprehensive Annual Financial Report
- ASLGU= Audits of State and Local Governmental Units, AICPA, 1986
- GASB= Governmental Accounting Standards Board Statement
- GASBI= Governmental Accounting Standards Board Interpretations

.03 This checklist is organized into the following classifications:

- o General
 - A. Titles and Memoranda
 - B. Significant Accounting Policies
 - C. Accounting Changes
 - D. Comparative Financial Statements
 - E. Nonmonetary Transactions
 - F. Contingencies and Commitments
 - G. Subsequent Events
 - H. Related Party Transactions
 - I. Component Units
- o Combined Balance Sheet
 - A. Titles, References and Content
 - B. Cash and Investments
 - C. Notes and Accounts Receivable
 - D. Inventories
 - E. Fixed Assets
 - F. Lessors
 - G. Other Assets and Deferred Charges
 - H. Liabilities
 - I. Lessees
 - J. Other Assets and Deferred Charges
 - K. General Long-Term Debt
 - L. Fund Balance
- o Combined Statement of Revenues, Expenditures and Changes in Fund Balances-All Governmental Fund Types (and Similar Trust Funds)

- A. General
- B. Property Taxes
- C. Sales Taxes
- D. Income Taxes
- E. Grants, Entitlements or Shared Revenues
- F. Expenditures
- G. Related Party Transactions
- H. Depreciation
- I. Transfers
- o Combined Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual-General and Special Revenue Fund Types
 - A. General
- o Combined Statement of Revenues, Expenses, and Changes in Retained Earnings-All Proprietary Fund Types (and Similar Trust Funds)
 - A. General
 - B. Extraordinary Items
 - C. Grants, Entitlements or Shared Revenues
 - D. Interest
 - E. Transfers
 - F. Related Parties
 - G. Depreciation
 - H. Nonmonetary Transactions
 - I. Gains on Sales of Securities
 - J. Futures Contracts
 - K. Research and Development Costs

- L. Changes in Fund Balances/Retained Earnings
- M. Segment Information
- o Combined Statement of Changes in Financial Position-All Proprietary Fund Types (and similar Trust Funds)
 - A. Title
 - B. Trust Fund Data
 - C. Format and Content
 - D. Comparability
- o Other Disclosures
 - I. Pension Disclosures
 - A. Pension Plans-Separately Issued PERS Reports
 - B. Pension Disclosures in Employer Financial Reports
 - C. Single Employer PERS Included as a Pension Trust Fund in the Employer Reporting Entity
 - D. Multi-Employer PERS Included as a Pension Trust Fund in the Employer Reporting Entity
 - E. Employers Contributing to Cost Sharing Multi-Employer PERS
 - F. Component Units' Pension Information in the Reporting Entity's Financial Reports
 - G. Noncontributing Employers
 - H. Unfunded Pension Arrangements
 - I. Reporting by Nonemployer Contributors
 - J. Defined Contribution Pension Information
 - II. Deferred Compensation Plans Under Internal Revenue Code Section 457
 - III. Special Assessments
 - IV. Investments Accounted for by the Equity Method and Joint Ventures

.04 Checklist Questionnaire

Yes No N/A

I. GENERAL

A. Titles and Memoranda

1. Are all financial statements titled properly?
[GASB 1 Sec. 2200.106 (GASB Cod. Sec. 2200.106); SAS 62, par. 7 (AU 623.07)]

a.

2. If totals by account are presented in the General Purpose or Component Unit (Combined) Financial Statements, are totals noted as memoranda only?
[GASB 1 Sec. 2200.113 (GASB Cod. Sec. 2200.113); ASLGU, Chap. 18 par. 9]

B. Significant Accounting Policies

1. Is a summary of significant accounting policies shown separately as a stand-alone summary?
[GASB 1 Sec. 2300.108 (GASB Cod. Sec. 2300.108); APB 22, par. 8 (AC A10.102)]

2. If the summary of significant accounting policies is shown separately as a stand-alone summary, has each page of the GPFS been referenced to the summary?
[GASB 1 Sec. 2300.108 (GASB Cod. Sec. 2300.108)]

3. Does the summary of significant accounting policies address the following:

- a. Criteria used to determine the scope of the reporting entity?
[GASB 1, Sec. 2300.104a (GASB Cod. Sec. 2300.104a); GASB 1, Sec. 2600.115 (GASB Cod. Sec. 2600.115)]

- b. Revenue and expenditure recognition policies (i.e., measurement focus and basis of accounting)?
[GASB 1, Sec. 2300.104a (GASB Cod. Sec.

	Yes	No	N/A
2300.104a); GASB 1, Sec. 1600.108 (GASB Cod. Sec. 1600.108)]	_____	_____	_____
c. Method of encumbrance accounting and reporting? [GASB 1, Sec. 2300.104a (GASB Cod. Sec. 2300.104a); GASB 1, Sec. 1700.130 (GASB Cod. Sec. 1700.130)]	_____	_____	_____
d. Policy with regard to reporting infrastructure assets, including budgetary accounting? [GASB 1, Sec. 2300.104a (GASB Cod. Sec. 2300.104a); GASB 1, Sec. 1400.109 (GASB Cod. Sec. 1400.109)]	_____	_____	_____
e. Policy with regard to capitalization of interest costs on fixed assets? [GASB 1, Sec. 2300.104a (GASB Cod. Sec. 2300.104a); GASB 1, Sec. 1400.111 (GASB Cod. Sec. 1400.111)]	_____	_____	_____
f. Description of the specific reasons for excluding any agencies or component units that meet the criteria in NCGA Statement No. 3? [GASB 1, Sec. 2100.121 and 122 (GASB Cod. Sec. 2100.121 and 122)]	_____	_____	_____
g. The extent to which fixed asset costs have been estimated and the methods of estimation? [GASB 1, Sec. 1400.112 (GASB Cod. Sec. 1400.112); GASB 1, Sec. 2300.105n (GASB Cod. Sec. 2300.105n)]	_____	_____	_____
h. The use of the modified accrual basis for governmental fund types? [GASB 1, Sec. 1600.105 (GASB Cod. Sec. 1600.105)]	_____	_____	_____
i. Nature and amount of inconsistencies in financial statements caused by transactions between component units having different fiscal year-ends? [GASB 1, Sec. 2300.105s (GASB Cod. Sec.	_____	_____	_____

	Yes	No	N/A
2300.105s); GASB 1, Sec. 2600.113 (GASB Cod. Sec. 2600.113)]	_____	_____	_____
j. Have changes in the fiscal year-ends of component units included in the reporting entity been disclosed? [GASB 1, Sec. 2600.114 (GASB Cod. Sec. 2600.114)]	_____	_____	_____
k. Basis of presentation-fund accounting, including fund categories/generic fund types, account groups, total columns used in combined financial statements and the effects of component units with differing fiscal year-ends? [GASB Cod. Sec. 2300.601]	_____	_____	_____
l. The policy with regard to expenditure recognition of inventories; purchases or consumption method? [GASB 1, Sec. 1600.122a (GASB Cod. Sec. 1600.122a)]	_____	_____	_____
m. Policy with regard to vacation and sick leave? [GASB 1, Sec. C60 (GASB Cod. Sec. C60)]	_____	_____	_____
n. Policy with regard to investments? [GASB 3, (GASB Cod. Sec. I50)]	_____	_____	_____
C. Accounting Changes			
1. For an accounting change does disclosure in the period of the change include:			
a. Nature of the change?	_____	_____	_____
b. Justification for the change and a clear explanation of the newly adopted principle and why it is preferable?	_____	_____	_____
c. Effect on excess of revenues over expenses/expenditures, as appropriate? [APB 20, par. 17 (AC A06.113)]	_____	_____	_____
2. Have the applicable AICPA Statements of			

Yes No N/A

Position and Guides listed in Appendix A to SFAS 83 (AC section A06 Exhibit 112A) been considered in justification of a change in accounting principle?

[SFAS 32, par. 11 (AC A06.112); APB 20, par. 16 (AC A06.112)]

3. If appropriate, is the cumulative effect of an accounting change shown separately between the captions "extraordinary items" and "excess of revenues over (under) expenditures"?

[APB 20, pars. 18-26 (AC A06.114-.122 and E09.104)]

4. Are the effects of changes in accounting estimate disclosed if they are material?

[APB 20, pars. 31-33 (AC A06.130-.132)]

5. If a change in reporting entity has occurred, have the financial statements and disclosures been made in accordance with APB 20, pars. 34 and 35?

[APB 20, pars. 34 and 35 (AC A35.112-.113)]

6. Is the nature of an error in previously issued financial statements and the effect of its correction on the excess of revenues over (under) expenditures before extraordinary items, and net income disclosed in the period in which the error was discovered and corrected?

[APB 20, par. 37 (AC A35.105)]

7. For prior period adjustments:

- a. Is the resulting effects on the net income of prior periods disclosed in the financial statement for the year in which the adjustments are made?

- b. For single period statements does the disclosure indicate the effects of such restatement on the balance of fund balance/retained earnings at the beginning of the period and on the excess of revenues over (under) expenditures of the immediately preceding period?

	Yes	No	N/A
<p>c. If financial statements for more than one period are presented does the disclosure include the effects for each of the periods included in the statements? [APB 9, par. 26 (AC A35.107)]</p>	_____	_____	_____
<p>8. If the prior period adjustments pertain to years presented in a comparative operating statement as, for example, historical summaries of financial data, have they been reflected therein with appropriate disclosure? [APB 9, par. 27 (AC A35.108)]</p>	_____	_____	_____
<p>9. For interim financial reports regarding an adjustment related to prior interim periods of the current fiscal year, was the following disclosed:</p>			
<p>a. The effect on excess (deficiency) from continuing operations and excess (deficiency) for each prior interim period of the current fiscal year, and</p>	_____	_____	_____
<p>b. excess (deficiency) from continuing operations and excess (deficiency) for each prior interim period restated. [SFAS 16, par. 15 (AC A35.111)]</p>	_____	_____	_____
D. Comparative Financial Statements			
<p>1. Have comparative statements been considered? [ARB 43, Ch. 2A, pars. 1-2 (AC F43.101-.102)]</p>	_____	_____	_____
<p>2. Are the notes and other disclosures included in the financial statements of the preceding year(s) presented, repeated or at least referred to, to the extent that they continue to be of significance? [ARB 43, Ch. 2A, par. 2 (AC F43.102)]</p>	_____	_____	_____
<p>3. If changes have occurred in the manner of or basis for presenting corresponding items for two or more periods, are appropriate explanations of the changes disclosed? [ARB 43, Ch. 2A, par. 2 (AC F43.102)]</p>	_____	_____	_____

Yes No N/A

E. Nonmonetary Transactions

1. Do disclosures for nonmonetary transactions during the period include:

a. Nature of the transactions? _____

b. Basis of accounting for the assets transferred? _____

c. Gains or losses recognized on the transfers?
 [APB 29, par. 28 (AC C11.102 and N35.120);
 FASBI 30 (AC N35.114-.119)] _____

2. Are nonmonetary assets recorded in the fund to which they relate at estimated fair value?
 [GASB 1, Sec. 1400.113 (GASB Cod. Sec. 1400.113)] _____

3. If nonmonetary assets are donated to a governmental unit for use in general government activities, have they been recorded in the General Fixed Assets Account Group?
 [GASB 1, Sec. 1400.113 (GASB Cod. Sec. 1400.113)] _____

4. If the donation of nonmonetary assets reduces the government's current or future expenditure requirements, has the governmental unit elected to report the donation in the appropriate fund as an "other financing use" and an "other financing source" of resources?
 [ASLGU, Ch. 9, par. 21] _____

F. Contingencies and Commitments

1. Is disclosure made in governmental funds on the face of the financial statements or in the notes of the nature and amount of accrued loss contingencies necessary to keep the financial statements from being misleading showing the total claims and judgments determined for the year under FASB 5 "Accounting for Contingencies" less (plus) the amount recorded as long-term obligations in the General Long-Term Debt Account Group?

	Yes	No	N/A
[SFAS 5, par. 9 (AC C59.108); FASBI 14, pars. 3-7 (AC C59.124-.127); GASB 1, Sec. 1500.110 (GASB Cod. Sec. 1500.110); GASB 1, Sec. C50.112 (GASB Cod. Sec. C50.112)]	_____	_____	_____
2. Where a loss pertains to proprietary funds, have the criteria of FASB 5 been followed without modification in making disclosures? [GASB 1, Sec. C50.115 (GASB Cod. Sec. C50.115)]	_____	_____	_____
3. For loss contingencies not accrued, do disclosures indicate:			
a. Nature of contingency?	_____	_____	_____
b. Estimate of possible loss or range of loss, or a statement that such estimate cannot be made? [SFAS 5, par. 10 (AC C59.109 and .111); GASB 1, Sec. 1500.110 (GASB Cod. Sec. 1500.110)]	_____	_____	_____
4. Are guarantees of the entity, even if the possibility of default if remote, disclosed in the financial statements? [ASLGLU Ch. 11, par. 28]	_____	_____	_____
5. If the entity is assuming a moral obligation, is this disclosed in the financial statements? [ASLGLU Ch. 11, par. 28]	_____	_____	_____
6. With respect to no-commitment debt, is its existence disclosed in the financial statements? [ASGLU Ch. 11, par. 28]	_____	_____	_____
7. For unconditional purchase obligations not recorded on the purchaser's balance sheet, is the following disclosed?			
a. The nature and term of the obligation(s)?	_____	_____	_____
b. The amount of the fixed and determinable portion of the obligation(s) as of the date of the latest balance sheet presented in the aggregate and, if determinable, for each of the five succeeding fiscal years?	_____	_____	_____

	Yes	No	N/A
c. The nature of any variable components of the obligation?	_____	_____	_____
d. The amounts purchased under the obligations (for example, the take-or-pay or throughout contract) for each period for which a Statement of Revenue and Expenditures is presented? [SFAS 47, par. 7 (AC C32.102)]	_____	_____	_____
8. Is disclosure made of conditions that raise a question about an entity's ability to continue in existence and viable plans to overcome these difficulties? [SAS 59, par. 10 (AU 340.10); ASLGU, Ch. 18 par. 18]	_____	_____	_____
9. Encumbrances: Where appropriations lapse at year-end, even if encumbered, and the governmental unit intends to honor them, do the notes to financial statements disclose the outstanding encumbrances at year-end or is disclosure effected by reserving a portion of the fund balance? [GASB 1, Sec. 1700.129d (GASB Cod. Sec. 1700.129d)]	_____	_____	_____
10. If a governmental unit is prohibited by law from budgeting or appropriating property taxes recognized as revenue pursuant to GASB 1, Sec. P70.104, was disclosure made by a reservation of fund balance, and was this explained in the notes to financial statements? [GASB 1, Sec. P70.104 (GASB Cod. Sec. P70.104)]	_____	_____	_____
11. Where payments have been made to an internal service self-insurance fund to pay claims and judgments of governmental funds, and the claims were based on actuarially determined liabilities, have these transfers been classified as operating transfers and not as an expenditure of the insured fund? [GASB 1, Sec. C50.117 (GASB Cod. Sec. C50.117)]	_____	_____	_____

	Yes	No	N/A
12. Have any amounts that were transferred which were in excess of the amount of the actuarially determined amount been classified as residual equity transfers? [GASB 1, Sec. C50.117 (GASB Cod. Sec. C50.117)]	_____	_____	_____
13. Are the nature and amount of guarantees disclosed (for example, guarantee of indebtedness of others, obligations of banks under standby letters of credit)? [SFAS 5, par. 12 (AC C59.113); FASBI 34, pars. 2-3 (AC C59.114)]	_____	_____	_____
14. Are gain contingencies adequately disclosed with care to avoid any misleading implications about likelihood of realization? [SFAS 5, par. 17 (AC C59.118)]	_____	_____	_____
15. Has disclosure been made of unused letters of credit, assets pledged as security for loans, working capital commitments, and dividend restructuring? [SFAS 5, pars. 18-19 (AC C59.120)]	_____	_____	_____
16. Are disclosures made of any material violations of legal and contractual provisions? [GASB 1, Sec. 2300.104h (GASB Cod. Sec. 2300.104h)]	_____	_____	_____
G. Subsequent Events			
1. Are the financial statements adjusted for any changes in estimates resulting from subsequent events that provided additional evidence with respect to conditions that existed at the date of the balance sheet? [SFAS 5, par. 8 (AC C59.105); SAS 1, Secs. 560.03-.04, .07 and 561.01-.09 (AU 560.03-.04, .07 and 561.01-.09)]	_____	_____	_____
2. Are subsequent events that provide evidence with respect to conditions that did not exist at the date of the balance sheet but arose subsequent to that date adequately disclosed			

Yes No N/A

to keep the financial statements from being misleading?

[SFAS 5, par. 11 (AC C59.112); APB 16, par. 61 (AC B50.120); SAS 1, Secs. 560.05-.07, .09, and 561.01-.09 (AU 560.05-.07, .09, and 561.01-.09); GASB 1, Sec. 1500.110 and GASB 6 par. 13 (GASB Cod. Sec. 1500.110); GASB 1, Sec. 2300.104d (GASB Cod. Sec. 2300.104d)]

H. Related Party Transactions

1. Do lease arrangements exist between state and local governments and public authorities?
[GASB 1, Secs. L20.123 and 2300.150f and g (GASB Cod. Secs. L20.123 and 2300.105f and g)]
2. Have the nature and extent of leasing transactions with related parties been disclosed?
[GASB 1, Sec. L20.123 (GASB Cod. Sec. L20.123); (SFAS 13, par. 29 (AC L10.125))]
3. Are the following disclosures made of material related party transactions, other than compensation arrangements, expense allowances, and other similar items in the ordinary course of business:
 - a. The nature of the relationship(s) involved?
 - b. A description of the transactions, including transactions to which no amounts or nominal amounts were ascribed, for each of the periods for which a Statement of Revenue and Expenditures is presented, and such other information deemed necessary to an understanding of the effects of the transactions on the financial statements?
 - c. The dollar amount of transactions for each of the periods for which Statements of Revenue and Expenditures are presented and the effects of any change in the method of establishing the terms from that used in the preceding period?

Yes No N/A

- d. Amounts due from or to related parties as of the date of each balance sheet presented and, if not otherwise apparent, the terms and manner of settlement?

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

I. Component Units

1. If a component unit has adopted accounting principles that are not in conformity with governmental accounting and reporting standards but those principles are considered to be generally accepted and where the inclusion of the component unit would distort a fund type of the reporting entity, is the component unit presented in a separate column on the financial statements of the reporting entity as a discrete presentation? [GASB 1, Sec. 2600.109 (GASB Cod. Sec. 2600.109)]

2. If the answer to 1 above is yes, do the accompanying notes to the financial statements clearly disclose the accounting policies of the component unit and the relationship of the component unit to the oversight unit? [GASB 1, Sec. 2600.109 (GASB Cod. Sec. 2600.109)]

3. Do the notes to the reporting entity's financial statements disclose the component units that have been combined to form the reporting entity and the key decision criteria that were considered? [GASB 1, Sec. 2600.116 (GASB Cod. Sec. 2600.116)]

4. Has financial information concerning each component unit, as well as the oversight unit, been provided in the notes to insure that the general purpose financial statements communicate the information that is necessary for fair presentation and is not readily apparent from, or cannot be included in, the statements themselves? [GASB 1, Sec. 2600.116 (GASB Cod. Sec. 2600.116)]

Yes No N/A

5. Where separate component unit financial statements are issued, was disclosure made to clearly indicate that the component unit is an integral part of the reporting entity?
[GASB 1, Sec. 2600.119 (GASB Cod. Sec. 2600.119)]

II. COMBINED BALANCE SHEET

A. Titles, Reference and Content

1. Is a combined balance sheet presented for all fund types and account groups?
[GASB 1, Sec. 2200.108 (GASB Cod. Sec. 2200.108)]
2. Does the combined balance sheet have separate columns for each fund type and account group?
[GASB 1, Sec. 2200.108 (GASB Cod. Sec. 2200.108)]
3. Are the separate columns for each fund and/or account group properly captioned?
[GASB 1, Sec. 2200.108 (GASB Cod. Sec. 2200.108)]
4. Have special assessment funds been eliminated?
[GASB 6, par. 13 (GASB Cod. Sec. S40.113)]
5. Are long-term debt and fixed assets only reported in account groups, fiduciary or proprietary fund types?
[GASB 1, Sec. 1400.102-.106 (GASB Cod. Sec. 1400.102-.106); GASB 1, Sec. 1500.102-.103 (GASB Cod. Sec. 1500.102-.103)]

B. Cash and Investments

1. Are cash and investments segregated into individual funds?
[ASLGU, Ch. 7, par. 7]
2. If cash and investments are restricted to comply with legal or contractual requirements, are these amounts segregated?
[ARB 43, Ch. 3A, par. 6 (AC B05.107); ASLGU, Ch. 7. par. 7]

	Yes	No	N/A
3. Are restrictions on cash and investments appropriately disclosed? [SFAS 5, pars. 18-19 (AC C59.120)]	_____	_____	_____
4. Pooled Accounts			
a. If cash and investments are maintained in pooled accounts and a particular fund overdraws its share, is the overdraft reported as an interfund payable or receivable? [ASLGU, Ch. 7, par. 8]	_____	_____	_____
b. Is disclosure made of the method used to allocate income from investment or pooled cash? [ASLGU, Ch. 7, par. 9]	_____	_____	_____
5. Was the need to record losses due to a permanent decline in value considered? [ASLGU, Ch. 7, par. 9]	_____	_____	_____
6. Are material dollar amounts of held checks (checks on the bank reconciliation but not released until after the balance sheet date) reclassified as accounts payable? [TPA, Vol. 1, Sec. 2110.02]	_____	_____	_____
7. Cost and Market Value			
a. As of the date of each balance sheet presented, with respect to marketable securities owned, was disclosure made of the aggregate cost and market value (each segregated between current and noncurrent portfolios when a classified balance sheet is presented) with identification as to which is the carrying amount? [SFAS 12, par. 12 (I89.106)]	_____	_____	_____
b. Were the following disclosed as of the date of the latest balance sheet presented, segregated between current and noncurrent portfolios when a classified balance sheet is presented:			

	Yes	No	N/A
(1). Gross unrealized gains representing the excess of market value over cost for all marketable equity securities in the portfolio having such an excess?	_____	_____	_____
(2). Gross unrealized losses representing the excess of cost over market value for all marketable equity securities in the portfolio having such an excess? [SFAS 12, par. 12 (AC I89.106b)]	_____	_____	_____
c. For each period for which an operating statement is presented, were the following disclosures made:			
(1). Net realized gain or loss included in the determination of income?	_____	_____	_____
(2). The basis on which cost was determined in computing realized gain or loss (that is, average cost or other method used)?	_____	_____	_____
(3). The change in the valuation allowance(s) that has been included in the equity section of the balance sheet during the period and, when a classified balance sheet is presented, the amount of such change included in the determination of income? [SFAS 12, par. 12 (AC I89.106c)]	_____	_____	_____
d. Where marketable securities are included in noncurrent assets in a classified balance sheet, is the valuation allowance shown separately? [SFAS 12, par. 11 (AC I89.105)]	_____	_____	_____
e. Where marketable securities are included in an unclassified balance sheet for proprietary fund types, is the valuation allowance shown separately? [SFAS 12, par. 11 (AC I89.105)]	_____	_____	_____
8. For Investments Including Repurchase Agreements			

	Yes	No	N/A
a. Has disclosure been made in the notes to financial statements of the types of investments authorized by legal or contractual provisions? [GASB 3, par. 65 (GASB Cod. Sec. I50.161)]	_____	_____	_____
b. Is disclosure made of significant violations during the period of legal and/or contractual provisions for deposits and investments? [GASB 3, par. 66 (GASB Cod. Sec. I50.162)]	_____	_____	_____
c. If bank balances of deposits as of the balance sheet date are entirely insured or collateralized with securities held by the entity or by its agent in the entity's name, has this been disclosed? [GASB 3, par. 67 (GASB Cod. Sec. I50.163)]	_____	_____	_____
d. If the disclosure called for by paragraph 7c above was not made, has the following information been disclosed?			
(1). Carrying amounts of total deposits, if not separately displayed on the balance sheet?	_____	_____	_____
(2). The total bank balance classified in these three categories of credit risk:			
(a). Insured or collateralized with securities held by the entity or by its agent in the entity's name.	_____	_____	_____
(b). Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.	_____	_____	_____
(c). Uncollateralized. (This includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the entity's name) [GASB 3, par. 67 (GASB Cod. Sec. I50.163)]	_____	_____	_____

	Yes	No	N/A
e. Are the carrying amount and market value of investments (including repurchase agreements) as of the balance sheet date disclosed in total and for each type of investment?	_____	_____	_____
f. Is the disclosure of the carrying amounts of investments broken down into the following three categories of credit risk:			
(1). Insured or registered or securities held by the entity or its agent in the entity's name.	_____	_____	_____
(2). Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name.	_____	_____	_____
(3). Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the entity's name. [GASB 3, par. 68, (GASB Cod. Sec. I50.164)]	_____	_____	_____
g. If unrealized investment losses in one or more component units or funds may not be apparent because of unrealized investment gains in the remaining funds, are the carrying amounts and market value of that unit's or fund's total investments disclosed? [GASB 3, par. 71 (GASB Cod. Sec. I50.167)]	_____	_____	_____
h. If there are outstanding commitments as of the balance sheet date to resell securities under yield maintenance repurchase agreements, have the market value and carrying amount as of the balance sheet date as well as a description of the terms of the agreement been disclosed? [GASB 3, par. 72, (GASB Cod. Sec. I50.168)]	_____	_____	_____
i. If uncollateralized deposits or uninsured, unregistered securities held by the			

Yes No N/A

- counterparty, or by the trust department or agent not in the entity's name significantly exceed the amounts in those categories as of the balance sheet date, is that fact disclosed?
[GASB 3, par. 73 (GASB Cod. Sec. I50.169)] _____
- j. Does the entity disclose the types of investments made during the period but not owned as of the balance sheet date?
[GASB 3, par. 74 (GASB Cod. Sec. I50.170)] _____
- k. Does the entity disclose losses recognized during the period resulting from default by counterparties to deposit or investment transactions and amounts recovered from prior-period losses if these are not shown separately on the operating statements?
[GASB 3, par. 75 (GASB Cod. Sec. I50.171)] _____
1. In connection with reverse repurchase agreements indicate if the following is disclosed:
- (1). For reverse repurchase agreements, other than yield maintenance agreements, which are outstanding as of the balance sheet date, has the credit risk related to the agreements been disclosed?
[GASB 3, par. 78 (GASB Cod. Sec. R10.110)] _____
- (2). Was disclosure made for commitments as of the balance sheet date to repurchase securities under yield maintenance agreements including the market value as of the balance sheet date of the securities to be repurchased and a description of the terms of the agreements?
[GASB 3, par. 79 (GASB Cod. Sec. R10.111)] _____
- (3). Is disclosure made for losses recognized during the period due to default by counterparties to reverse repurchase agreements and amounts recovered from prior period losses if not shown

Yes No N/A

separately on the operating statement?
[GASB 3, par. 80 (GASB Cod. Sec. R10.112)] _____

C. Notes and Accounts Receivable

1. Are notes or accounts receivable due from affiliated enterprises disclosed separately?
[ARB 43, Ch. 1A, par. 5 (AC R36.105)] _____
2. If a note is noninterest bearing or has an inappropriate stated interest rate:
 - a. Is the discount or premium presented as a deduction from or addition to the face amount of the note?
[APB 21, par. 16 (AC I69.109)] _____
 - b. Does the disclosure include the effective interest rate and face amount of the note?
[APB 21, par. 16 (AC I69.109)] _____
 - c. Is amortization of discount or premium reported as interest expense in the operating statement?
[APB 21, par. 16 (AC I69.109)] _____
3. Have related receivables and payables between what were previously separately reported governmental units, which are now included as component units of a reporting entity, been reclassified as amounts due to and due from other funds?
[GASB 1, Sec. 2600.112 (GASB Cod. Sec. 2600.112)] _____
4. If transactions between component units having different fiscal years result in inconsistencies in amounts reported as due to/due from, transfer to/transfer from etc., is the nature and amounts of such transactions disclosed in the notes to the financial statements?
[GASB 1, Sec. 2600.114 (GASB Cod. Sec. 2600.114)] _____
5. Are the amounts due to one fund from other

Yes No N/A

funds, as well as the amounts owed to other funds, reflected in the fund accounts and in fund financial statements? Or, are amounts being offset?

[GASB 1, Sec. 1300.110 (GASB Cod. Sec. 1300.110)]

6. Do the financial statements disclose the amount of interfund receivables and payables by fund?

[ASLGU, Ch. 8, par. 21]

7. Are property tax assessments recognized in the period levied provided the "available" criteria are met (then due, past due and receivable within the current period and collected within the current period or within 60 days thereafter)?

[GASB 1, Sec. P70.103 (GASB Cod. Sec. P70.103)]

8. Are property taxes receivable expected to be collected within 60 days following the current period?

[GASB 1, Sec. P70.103 (GASB Cod. Sec. P70.103); ASLGU, Ch. 8, par. 11]

9. Where the facts justify a period exceeding 60 days, has the governmental unit disclosed the period used and the justification for the recording practice used?

[GASB 1, Sec. P70.103 (GASB Cod. Sec. P70.103); ASLGU, Ch. 8, par. 11]

10. Are allowances for uncollectible receivables shown as deductions from the related receivables?

[APB 12, par. 3 (AC V18.102)]

D. Inventories

1. Have significant amounts of inventory been reported on the balance sheet?

[GASB 1, Sec. 1600.122 (GASB Cod. Sec. 1600.122)]

	Yes	No	N/A
<p>2. Has the basis for stating inventories been disclosed, including the method of determining cost? [ARB 43, Ch. 3A, par. 9 and Ch. 4, par. 15 (AC 178.120)]</p>	_____	_____	_____
<p>3. If substantial and unusual losses result from write-down to market values, have these been disclosed separately from other expenditures/expenses, e.g., cost of goods sold in the operating statement? [ARB 43, Ch. 4, par. 14 (AC I78.117)]</p>	_____	_____	_____
E. Fixed Assets			
<p>1. Are general fixed assets, other than those accounted for in the proprietary funds, trust or agency funds, accounted for in the General Fixed Asset Account Group rather than in the governmental funds? [GASB 1, Sec. 1400.106 (GASB Cod. Sec. 1400.106)]</p>	_____	_____	_____
<p>2. In connection with assets capitalized in the General Fixed Asset Account Group, were the following disclosures generally incorporated in the financial statements or the notes:</p>			
<p>a. Details of general fixed assets, such as land, buildings, and equipment?</p>	_____	_____	_____
<p>b. The basis for carrying assets in the General Fixed Asset Account Group, for example, cost or estimated cost?</p>	_____	_____	_____
<p>c. Whether infrastructure assets are included or excluded from the General Fixed Assets Account Group?</p>	_____	_____	_____
<p>d. Whether depreciation is recorded in the General Fixed Assets Account Group and, if so, the depreciable lives and methods of computation?</p>	_____	_____	_____
<p>e. A reconciliation of changes in the General Fixed Assets Account Group during the year?</p>	_____	_____	_____

	Yes	No	N/A
f. Capitalization of interest during construction? (GASB Statement Nos. 34 and 62)	_____	_____	_____
g. Commitments under long-term construction projects?	_____	_____	_____
h. The status of capital grants?	_____	_____	_____
i. Pertinent data regarding capital and operating leases? [ASLGU, Ch. 9, par. 22]	_____	_____	_____
3. Regarding fixed assets, other than those pertaining to the proprietary funds or trust funds, have the following disclosures been made:			
a. A breakdown of fixed assets by major classes? [APB 12, par. 5 (AC D40.105b)]	_____	_____	_____
b. Changes in fixed assets by the various classes? [GASB 1, Sec. 2200.106b(4)(a) (GASB Cod. Sec. 2200.106b(4)(a))]	_____	_____	_____
c. The basis of donated fixed assets, which should be estimated fair market value at date of acquisition? [GASB 1, Sec. 1400.113 (GASB Cod. Sec. 1400.113)]	_____	_____	_____
d. If recording accumulated depreciation in the General Fixed Assets Account Group was elected, was the accumulated depreciation account(s) increased and investment in general fixed assets account(s) decreased? [GASB 1, Sec. 1400.118 (GASB Cod. Sec. 1400.118)]	_____	_____	_____
e. A general description of the method or methods used in computing depreciation in the GFAAG with respect to major classes of depreciable assets? [APB 12, par. 5 (AC D40.105d)]	_____	_____	_____

	Yes	No	N/A
4. Regarding proprietary funds, has depreciation expense been disclosed for the period? [APB 12, par. 5a (AC D40.105); GASB 1, Sec. 1400.115 (GASB Cod. Sec. 1400.115)]	_____	_____	_____
5. If interest has been incurred during the construction period of certain assets:			
a. Has the accounting policy for capitalization of interest cost been disclosed?	_____	_____	_____
b. Has this policy been consistently applied? [GASB 1, Sec. 1400.111 (GASB Cod. Sec. 140.111)]	_____	_____	_____
6. Reporting public domain or infrastructure "fixed assets--roads, bridges, curbs and gutters, streets, and sidewalks, drainage systems, lighting systems, and similar assets that are immovable and of value only to the governmental unit--is optional." Has the accounting policy regarding those assets been consistently applied? [GASB 1, Sec. 1400.109 (GASB Cod. Sec. 1400.109)]	_____	_____	_____
7. Has the accounting policy for infrastructure fixed assets been disclosed in the notes to financial statements? [GASB 1, Secs. 1400.109 and 2300(a)(4) (GASB Cod. Secs. 1400.109 and 2300.104(a)(4)]	_____	_____	_____
F. Lessors			
1. For sales-type and direct financing leases do disclosures include:			
a. Appropriate components of the net investment in the leases as of the date of each balance sheet presented?	_____	_____	_____
b. Future minimum lease payments to be received for each of the five succeeding fiscal years as of the date of the latest balance sheet presented?	_____	_____	_____

Yes No N/A

c. Total contingent rentals included in operations for each period for which a Statement of Revenues and Expenditures is presented?

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

d. For direct financing leases, the amount of initial direct costs as part of the investment?

[SFAS 91, par. 25d (AC L10.119a.1)]

2. For operating leases do disclosures include:

a. Cost and carrying amount of property on lease or held for leasing by major classes and the amount of accumulated depreciation as of the date of the latest balance sheet presented?

b. Minimum future rentals on noncancelable leases as of the date of the latest balance sheet presented in the aggregate and for each of the five succeeding fiscal years?

c. Total contingent rentals included in operations for each period for which a Statement of Revenues and Expenditures is presented?

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

3. Do disclosures include a general description of the lessors leasing arrangements?

[SFAS 13, par. 23c (AC L10.119c); for amendments of SFAS 13, see SFASs 22, 23, 27, 28, 29, and 98; for interpretations, see FASBIs 19, 21, 23, 24, 26 and 27; for Technical Bulletins, see TBs 79-10, 79-12, 79-13, 79-14, 79-15, 79-16, 79-17, and 79-18]

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

G. Other Assets and Deferred Charges

1. Are the costs of intangible assets acquired

	Yes	No	N/A
from other entities recorded as assets? [APB 17, pars. 24-26 (AC I60.105-.107)]	_____	_____	_____
2. Are the costs of developing, maintaining or restoring intangible assets which are not specifically identifiable, have indeterminate lives, or are inherent in a continuing business and related to the entity as a whole, expensed when incurred? [APB 17, par. 24 (AC I60.105)]	_____	_____	_____
3. Regarding proprietary funds, are issue costs of debt reported as deferred charges? [APB 21, par. 16 (AC I69.109)]	_____	_____	_____
4. Regarding funds other than proprietary funds, are issue costs of debt charged to operations immediately? [GASB 1, Sec. 1600.117 (GASB Cod. Sec. 1600.117)]	_____	_____	_____
5. For proprietary funds, is the method and period of amortization for intangible assets disclosed? [APB 17, pars. 30 and 33 (AC I60.111) and APB 22, par. 13, (AC A10.106)]	_____	_____	_____
6. Are the reasons for not amortizing pre-November 1, 1970 intangibles and the amounts thereof disclosed? [APB 17, par. 34 I60.102b)]	_____	_____	_____
7. Has the cash surrender value of life insurance been disclosed? [ARB 43, Ch. 3a, par. 6 (AC B05.107); TB 85-4]	_____	_____	_____
H. Liabilities			
1. Do financial statements disclose the nature of any restrictions on assets related to debt? [ASLGU, Ch. 11, par. 27]	_____	_____	_____
2. Were the following disclosures made related to debt:			
a. The nature of outstanding debt, including significant bond covenants?	_____	_____	_____

	Yes	No	N/A
b. Debt service requirements to maturity?	_____	_____	_____
c. Details of capital leases?	_____	_____	_____
d. Amounts of authorized but unissued debt?	_____	_____	_____
e. Violations of significant bond covenants?	_____	_____	_____
f. Nature and amount of guarantees, contingent and moral obligations, and no-commitment debt?	_____	_____	_____
g. Changes in the amount of long-term obligations?	_____	_____	_____
h. The amount of unpaid debt that has been defeased?	_____	_____	_____
i. Debt incurred subsequent to the balance sheet date but before the financial statements are issued?	_____	_____	_____
j. An existing or anticipated inability to pay debt when due? [ASLGU, Ch. 11, par. 27]	_____	_____	_____
3. Do governmental fund balance sheets reflect only the current portion of the liabilities left unpaid at the end of the reporting period that normally would be liquidated with expendable available financial resources? [GASB 1, Sec. C50.113 (GASB Cod. Sec. C50.113)]	_____	_____	_____
4. Are only current liabilities, commonly referred to as fund or short-term liabilities, reported on the governmental fund balance sheets? [ASLGU, Ch. 10, par. 17]	_____	_____	_____
5. Do the financial statements disclose the following:			
a. Basis of accounting for expenditures and liabilities, for example, modified accrual accounting?	_____	_____	_____

	Yes	No	N/A
b. Method of accounting for outstanding encumbrances at year-end?	_____	_____	_____
c. Disclosure of contingent liabilities? [ASLGU, Ch. 10, par. 18 and Ch. 17, par. 13, and GASB 1 Sec. 2300.104 (GASB Cod. Sec. 2300.104)]	_____	_____	_____
6. Have significant categories been classified and segregated, e.g., accounts payable; accrued costs; notes; customer deposits; interest payable; amounts due to other funds or governments; officers or employees; special termination benefits? [GASB 1, Sec. 1800.114-.120 (GASB Cod. Sec. 1800.114-.120)]	_____	_____	_____
7. Have amounts payable from restricted assets been separately disclosed and properly classified, e.g.,: Construction contracts? Revenue Bonds? Fiscal Agent? Deposits? Accrued interest? [GASB Cod. Sec. 2200.603]	_____	_____	_____
8. For convertible debt, if applicable, are conversion features appropriately accounted for and disclosed? [APB 14, pars. 12 & 16-18 (AC D10.103 and D10.105-.107)]	_____	_____	_____
9. Do current liabilities exclude short-term obligations that the entity intends to refinance on a long-term basis provided the entity has demonstrated the ability to consummate the long-term financing? [SFAS 6, pars. 8-14 (AC B05.112-.116); FASBI 8 (AC B05.117 and B05.138-.139)]	_____	_____	_____
10. If a short-term obligation is to be excluded from current liabilities per SFAS 6, do disclosures include:			
a. General description of the financing agreement?	_____	_____	_____
b. Terms of any new obligation incurred or			

Yes No N/A

- expected to be incurred, as a result of the refinancing?
[SFAS 6, par. 15 (AC B05.118); FASBI 8, par. 3 (AC B05.117); TB 79-3 (AC B05.501-.503)] _____
11. For governmental funds, if all legal steps have been taken to refinance bond anticipation notes and the intent is supported by an ability to consummate refinancing the short-term note on a long-term basis in accordance with FASB 6, are they shown as part of the GLTDAG?
[GASB 1, Sec. B50.101 (GASB Cod. Sec. B50.101)] _____
12. Are demand bonds reported as general long-term debt or excluded from current liabilities of proprietary funds if the following conditions are met:
- a. Before the financial statements are issued, the issuer has entered into an arm's-length financing (take out) agreement to convert bonds "put" but not resold into some other form of long-term obligation? _____
 - b. The take out agreement does not expire within one year from the date of the issuer's balance sheet? _____
 - c. The take out agreement is not cancelable by the lender or the prospective lender during that year, and obligations incurred under the take out agreement are not callable by the lender during that year? _____
 - d. The lender or the prospective lender or investor is expected to be financially capable of honoring the take out agreement?
[GASBI 1, par. 10 (GASB Cod. Sec. D30.108)] _____
13. If the conditions in 12 above are not met, are they reported as fund liabilities or, for proprietary funds, as current liabilities? _____
14. In addition to debt disclosures required by _____

GASB Cod. Sec. 2300, are the following disclosures made for demand bonds outstanding:

- a. A general description of the demand bond program? _____
- b. Terms of any letters of credit or other standby liquidity agreements outstanding, commitment fees to obtain the letters of credit, and any amounts drawn on them outstanding as of the balance sheet date? _____
- c. A description of the take out agreement including its expiration date, commitment fees to obtain the agreement, and the terms of any new obligations under the take out agreement? _____
- d. The debt service requirements that would result if the take out agreement were to be exercised?
[GASBI 1, par. 11 (GASB Cod. Sec. D30.109)] _____
- 15. If a take out agreement has been exercised converting the bonds to an installment loan, is the installment loan reported as general long-term debt and the payment schedule under the installment loan included as part of the schedule of debt service requirements to maturity, as required by Section 2300, paragraph 104i?
[GASBI 1, par. 12 (GASB Cod. Sec. D30.110)] _____
- 16. If the conditions of paragraph 12 are not met at the time a demand bond is issued (or prior to issuance of the financial statements for that year), is the liability for demand bonds reported as a liability of the fund used to account for the proceeds of the bond issue?
[GASBI 1, par. 13 (GASB Cod. Sec. D30.111)] _____
- 17. If, because a take out agreement expires, it is necessary to report a fund liability for demand bonds previously reported as general long-term debt, is the liability recorded as a liability of the fund in which the proceeds of

	Yes	No	N/A
the issue were initially recorded with a corresponding debit to "other financing uses." [GASBI 1, par. 13 (GASB Cod. Sec. D30.111)]	_____	_____	_____
18. If the answer to numbers 16 or 17 above is yes, are debt redemptions reported as expenditures of the fund from which debt service is normally paid and the liability (represented by the demand bonds) reduced simultaneously by a credit to "other financing sources." [GASBI 1, par. 13 (D30.111)]	_____	_____	_____
19. For periods after a troubled debt restructuring, do disclosures include:			
a. Extent to which amounts contingently payable are included in the carrying amount of restructured payables?	_____	_____	_____
b. Total amounts contingently payable, if applicable, and conditions under which those amounts would become payable or forgiven? [SFAS 15, par. 26 (AC D22.122)]	_____	_____	_____
20. Where the reporting entity is a creditor, have the disclosures regarding troubled debt restructurings been made in accordance with paragraph No. 27 of FASB 15? [SFAS 15, par. 27 (AC D22.123)]	_____	_____	_____
21. Has debt, as required, been considered extinguished for financial reporting purposes because			
a. The debtor pays the creditor and is relieved of all its obligations with respect to the debt. This includes the debtor's reacquisition of its outstanding debt securities in the public securities market, regardless of whether the securities are cancelled or held as so-called treasury bonds.	_____	_____	_____
b. The debtor is legally released from being the primary obligor and it is probable that			

	Yes	No	N/A
the debtor will not be required to make future payments with respect to that debt under any guarantee?	_____	_____	_____
c. The debtor irrevocably places cash or other assets in a trust to be used solely for satisfying scheduled payments of both interest and principal of the defeased debt and the possibility that the debtor will be required to make future payments with respect to that debt is remote? [SFAS 76, par. 3 (AC D14.102A); GASB 7, par. 3 (GASB Cod. Sec. D20.103)]	_____	_____	_____
22. If debt is considered to be extinguished [in an in-substance defeasance] under the provision of .102A(c) of SFAS 76, paragraph 6, has a general description of the transaction and the amount of debt that is considered extinguished at the end of the period been disclosed so long as that debt remains outstanding? [SFAS 76, par. 6 (AC D14.108); GASB 7, pars. 1, 3, and 7 (GASB Cod. Sec. D20.101 and .102)]	_____	_____	_____
23. For proprietary and similar fund types, if there is an extinguishment of debt, is the difference between reacquisition price and carrying amount recognized currently in income and identified as a separate item? [GASB Sec. D20.107 (GASB Cod. Sec. D20.107) APB 26, pars. 20-21; FASB 4, par. 1 (AC D14.103-.104)]	_____	_____	_____
24. If the difference is material is it disclosed as an extraordinary item? [SFAS 4, par. 8 (AC D14.107); GASB 1, Sec. D20.105-.107 (GASB Cod. Sec. D20.105-.107)]	_____	_____	_____
25. In an advance refunding resulting in a defeasance of debt, for governmental fund types, are the proceeds of the new debt reported as an "other financing source proceeds of refunding bonds" in the fund receiving the proceeds? Are payments to the escrow agent from resources provided by the	_____	_____	_____

	Yes	No	N/A
new debt reported as an "other financing use payment to refunded bond escrow agent"? [GASB 7, par. 8 (GASB Cod. Sec. D20.108)]	_____	_____	_____
26. Regardless of where the debt is reported, for a defeasance of debt through an advance refunding, was a general description provided of the transaction in the notes to the financial statements in the year of the refunding? [GASB 7, par. 11 (GASB Cod. Sec. D20.111)]	_____	_____	_____
27. At a minimum did the disclosures include:			
a. The difference between the cash flows required to service the new debt and complete the refunding, and	_____	_____	_____
b. The economic gain or loss resulting from the transaction? [GASB 7, par. 11 (GASB Cod. Sec. D20.111)]	_____	_____	_____
28. Were disclosures made by fund type and account group? [GASB 7, par. 13 (GASB Cod. Sec. D20.113)]	_____	_____	_____
29. In all periods following an advance refunding for which debt defeased in substance remains outstanding, is the amount outstanding at period-end disclosed? [GASB 7, par. 14 (GASB Cod. Sec. D20.114)]	_____	_____	_____
30. Are long-term obligations that are or will be callable by the creditor because the debtor's violation of the debt agreement at the balance sheet date makes the obligation callable or because the violation, if not cured within a specified grace period, will make the obligation callable, classified as current unless one of the following conditions is met:			
a. The creditor waived or subsequently lost the right to demand repayment for more than one year (or operating cycle, if longer) from the balance sheet date?	_____	_____	_____

Yes No N/A

b. The obligation contains a grace period within which the debtor may cure the violation, is it probable that the violation will be cured within that period, thus preventing the violation from becoming callable?
 [SFAS 78, par. 5 (AC B05.109A and B05.118)]

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

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

33. Are guarantees and other commitments included in liabilities?
 [ASL GU, Ch. 11, pars. 9-12]

34. Does a note describe the accounting policies for recording such liabilities?
 [ASL GU, Ch. 11, par. 28]

35. Have bonds, notes and other long-term liabilities (for example, for capital leases, pensions, judgments, compensated absences, special termination benefits, and similar commitments) directly related to and expected to be paid from proprietary funds, special assessment funds, and [certain] trust funds been included in the accounts of such funds?
 [GASB 1, Sec. 1500.102 as amended by GASB 6, par. 13 (GASB Cod. Sec. 1500.102)]

36. Has one amount been disclosed on the balance sheet as the total liabilities for each fund type?
 [GASB 1, Sec. 2200.110 (GASB Cod. Sec. 2200.110)]

I. Lessees

1. For capital leases do disclosures include:

	Yes	No	N/A
a. Gross amounts of assets and the accumulated amortization recorded by major classes as of the date of each balance sheet presented?	_____	_____	_____
b. The lease obligations classified as current and long term? [SFAS 13, par. 16a (AC L10.112a(1)-(4)); GASB 1, Sec. L20.124 (GASB Cod. Sec. L20.124); ASLGU, Ch. 9, par. 22]	_____	_____	_____
c. Future minimum lease payments as of the latest balance sheet presented in the aggregate and for each of the five succeeding fiscal years with appropriate separate deductions therefrom for executory costs and imputed interest to reduce net minimum lease payments to present value? [SFAS 13, pars. 10 & 16a (AC L10.106 and L10.112a (1)-(4))]	_____	_____	_____
d. Total of future minimum sublease rentals under noncancelable subleases as of the date of the latest balance sheet presented? [SFAS 13, par. 16a (AC L10.112a (1)-(4))]	_____	_____	_____
e. Total contingent rentals actually incurred for each period for which a Statement of Revenue and Expenditures is presented? [SFAS 13, par. 16a (AC L10.112a (1)-(4)) as amended 10/1/79 by SFAS 29, par. 12]	_____	_____	_____
2. For operating leases that have initial or remaining noncancelable lease terms in excess of one year, do disclosures include:			
a. Future minimum rental payments required as of the latest balance sheet presented in the aggregate and for each of the five succeeding fiscal years?	_____	_____	_____
b. Total of future minimum rentals under noncancelable subleases as of the date of the latest balance sheet presented?	_____	_____	_____
c. Have the nature and extent of leasing transactions with related parties been			

	Yes	No	N/A
disclosed? [SFAS 13, par. 16b (AC L10.112b)]	_____	_____	_____
3. For all operating leases do disclosures include: rental expense for each period for which an operating statement is presented with separate amounts for minimum rentals, contingent rentals, and sublease rentals? [SFAS 13, par. 16c (AC L10.112c)]	_____	_____	_____
4. Do disclosures include a general description of the lessee's leasing arrangements including but not limited to:			
a. Basis for determination of contingent rentals?	_____	_____	_____
b. Terms of any renewal or purchase options or escalation clauses?	_____	_____	_____
c. Restrictive covenants? [SFAS 13, par. 16d (AC L10.112d); for amendments of SFAS 13 see SFASs 17, 22, 23, 27, 28, 29, 91, and 98; for interpretations, see FASBIs 19, 21, 23, 24, 26, and 27; for technical bulletins, see TBs 79-10, 79-12, 79-13, 79-14, 79-15, 79-16, 79-17, and 79-18]	_____	_____	_____
J. Other Liabilities and Deferred Credits			
1. Are estimated losses from loss contingencies accrued if both "probable" and the amount can be reasonably estimated as explained in SFAS 5? [SFAS 5, par. 8 (AC C59.105); FASBI 14 (AC C59.106-.107 and C59.124-.127); ASLGU, Ch. 4, par. 16, Ch. 10, par. 10, Ch. 17, par. 13; GASB 1, Sec. C50.110 (GASB Cod. Sec. C50.110)]	_____	_____	_____
2. Are liabilities appropriately accrued and reported for employees' compensation for future absences? [SFAS 43, pars. 6-7 (AC C44.104 and C44.108); GASB 1, Sec. C50.112 (GASB Cod. Sec. C50.112)]	_____	_____	_____

	Yes	No	N/A
<p>a. Has the amount of the liability for compensated absences which will be liquidated with expendable available financial resources been recorded as current liabilities? [GASB 1, Sec. C50.113 (GASB Cod. Sec. C50.113)]</p>	_____	_____	_____
<p>b. Has the remainder of the liability in 2 above been recorded in GLTDAG? [GASB 1, Sec. C50.113 (GASB Cod. Sec. C50.113)]</p>	_____	_____	_____
<p>c. If the governmental unit has not accrued compensated absences because the amount cannot be reasonably estimated, has this been disclosed in the notes? [SFAS 43, pars. 6-7 (AC C44.104)]</p>	_____	_____	_____
<p>3. Are liabilities for special termination benefits to employees appropriately accrued and reported when the employees accept the offer and the amount can be reasonably estimated? [SFAS 74, par. 2 (AC C45.102), GASB 1, Sec. C60.103 (GASB Cod. Sec. C60.103); GASB 1, Sec. T25.102 (GASB Cod. Sec. T25.102)]</p>	_____	_____	_____
<p>4. Are the public employee retirement systems (PERS) considered to be part of the reporting entity? [GASB 1, Sec. Pe5.120 (GASB Cod. Sec. Pe5.120)]</p>	_____	_____	_____
<p>5. If the PERS is considered to be part of the reporting entity, have the PERS financial statements been incorporated into the annual financial statements of the state or local governmental entity? [GASB 1, Sec. Pe5.120 (GASB Cod. Sec. Pe5.120)]</p>	_____	_____	_____
<p>6. Is the employer reporting for the PERS in conformity with the specific requirements for multi-employers plans? [GASB 4, par. 8 (GASB Cod. Sec. P20.103)]</p>	_____	_____	_____

	Yes	No	N/A
7. If the PERS is not a multi-employer plan, is the disclosure in conformity with NCGA Statement 1, 6 or FASB Statement No. 35? [GASB 4, pars. 8 and 9, (GASB Cod. Sec. P20.103 and P20.104), GASB 5, par. 49 and GASB 1 (GASB Cod. Sec. Pe5.120 and Pe5.121)]	_____	_____	_____
8. Has disclosure been made to indicate whether state and/or local governmental employees, including proprietary and similar trust funds, have not changed their accounting and reporting of pension activities as a result of FASB Statement No. 87? [GASB 4, par. 10 and GASB 5, par. 4 (GASB Cod. Sec. P20.106)]	_____	_____	_____
9. If a change in method occurred, is the new actuarial method in conformity with APB Opinion No. 8, NCGA Statement 1 or NCGA Statement 6, and is it considered preferable for purposes of making an accounting change in accordance with APB opinion No. 20, Accounting Changes? [GASB 4, par. 10, footnote 1 (GASB Cod. Sec. P20.106)]	_____	_____	_____
10. Indicate whether the employer has changed from one actuarial cost method to another during the period or fiscal period involved? [GASB 4, par. 10, footnote 1 (GASB Cod. Sec. P20.106)]	_____	_____	_____
K. General Long-Term Debt			
1. Are long-term liabilities of proprietary funds and trust funds accounted for through those funds? [GASB 1, Sec. 1500.101 (GASB Cod. Sec. 1500.101); GASB 1, Sec. 1500.102 as amended by GASB 6, par. 13 (GASB Cod. Sec. 1500.102)]	_____	_____	_____
2. Are other unmatured general long-term liabilities of the governmental unit accounted for through the General Long-Term Debt Account Group (GLTDAG)? [GASB 1, Sec. 1500.101 (GASB Cod. Sec.			

	Yes	No	N/A
1500.101); GASB 1, Sec. 1500.103; GASB 6, par. 17 and GASBI 1, par. 10 (GASB Cod. Sec. 1500.103)]	_____	_____	_____
3. Have the individual components of long-term debt been classified appropriately as term bonds, serial bonds, and other general long-term liabilities? [GASB 1, Sec. 1500.105 (GASB Cod. Sec. 1500.105)]	_____	_____	_____
4. For advance refundings resulting in defeasance of debt, was the GLTDAG adjusted for the increase or decrease in the amount of long-term debt? [GASB 7, par. 9 (GASB Cod. Sec. D.20.109)]	_____	_____	_____
L. Fund Balance			
1. Is there a disclosure made of any deficit fund balance or deficit retained earnings of individual funds? [GASB 1, Sec. 2300.104o (GASB Cod. Sec. 2300.104o)]	_____	_____	_____
2. Has the designation "fund balance" only been used in appropriate fund types, i.e., General, Special Revenue, Debt Service, Capital Projects, and Trust Fund types? [GASB 1, Sec. 2200.110 (GASB Cod. Sec. 2200.110)]	_____	_____	_____
3. Have the fund balances (equity) of governmental funds been classified as either reserved or unreserved? [ASLGU, Ch. 12, par. 1]	_____	_____	_____
4. Have all changes in fund balances (equity) been disclosed? [APB 12, par. 10 (AC C08.102);ASLGU, Ch. 12, par. 11]	_____	_____	_____
5. Have any differences between opening fund balances and those previously reported been disclosed? [APB 9, par. 26 (AC A35.107); GASB 1, Sec. 2200.117 (GASB Cod. Sec. 2200.117)]	_____	_____	_____

Yes No N/A

6. Is the retained earnings reserve only shown in proprietary funds, such as Enterprise and Internal Service Funds?
[GASB 1, Sec. 2200.116 (GASB Cod. Sec. 2200.116)]
7. Are contributed equity and retained earnings separately disclosed in proprietary fund types?
[GASB 1, Sec. 2200.603 (GASB Cod. Sec. 2200.603)]
8. Where certain proprietary assets net of related proprietary liabilities are restricted in the balance sheet, is there disclosure of a corresponding reserve in retained earnings?
[GASB 1, Sec. 2200.603 (GASB Cod. Sec. 2200.603)]

III. COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--ALL GOVERNMENTAL FUND TYPES (AND SIMILAR TRUST FUNDS)

A. General

1. Is a combined statement titled "Combined Statement of Revenues, Expenditures and Changes in Fund Balances--All Governmental Fund Types" being presented?
[GASB 1, Sec. 1900.112-.114 (GASB Cod. Sec. 1900.112-.114); GASB 1, Sec. 2200.110 (GASB Cod. Sec. 2200.110)]
2. Is the primary classification of governmental fund revenues disclosed by fund and source?
[GASB 1, Sec. 1800.114 (GASB Cod. Sec. 1800.114)]
3. Does the summary of significant accounting policies indicate that the modified accrual basis is used for recording all material revenues for governmental and similar expendable trust and agency funds?
[GASB 1, Sec. 1600.108 (GASB Cod. Sec. 1600.108)]

	Yes	No	N/A
4. Indicate whether the basis of accounting used for recording revenues is determined by the fund type in which the grant, entitlement or shared revenue transactions are recorded? [GASB 1, Sec. G60.103 (GASB Cod. Sec. G60.103)]	_____	_____	_____
5. Are the major sources of revenues separately disclosed, such as grants, entitlements and shared revenues, taxes, licenses and permits, intergovernmental revenues, charges for services, fines and forfeits and miscellaneous? [GASB 1, Sec. 2200.110 (GASB Cod. Sec. 2200.110)]	_____	_____	_____
6. Has a separate column been used for each governmental fund type and similar trust fund used which shows the combined data for all such funds? [GASB 1, Sec. 2200.110 (GASB Cod. Sec. 2200.110)]	_____	_____	_____
7. If the combined statement contains a total column that aggregates the columnar statements by fund types and account groups, is it captioned "Memorandum Only" because the total column is not comparable to a consolidation? [ASLGU, Ch. 18, par. 9]	_____	_____	_____
8. Are interfund transfers and proceeds of long-term debt, including capital leases, classified separately from fund revenues and expenditures? [GASB 1, Sec. 1800.101, (GASB Cod. Sec. 1800.101); GASB 1, Sec. 1800.106-110, as amended by GASB 6 (GASB Cod. Sec. 1800.106-.110)]	_____	_____	_____
9. Are any grants, entitlements and shared revenues, which may be used in more than one fund at the discretion of the recipient, accounted for in an agency fund pending final determination? [GASB 1, Sec. G60.107 (GASB Cod. Sec. G60.107)]	_____	_____	_____

	Yes	No	N/A
10. Have those assets being held in agency funds pending a determination of the fund(s) to be financed been disclosed in the notes to financial statements? [GASB 1, Sec. G60.107 (GASB Cod. Sec. G60.107)]	_____	_____	_____
B. Property Taxes			
1. Do the financial statements or the notes disclose that property taxes have been recorded on the modified accrual basis? [GASB 1, Sec. P70.102-.103, (GASB Cod. Sec. P70.102-.103)]	_____	_____	_____
2. If the governmental entity desires to exclude some property tax revenues from appropriation to protect cash liquidity, has this restricted revenue been disclosed by a designation of fund balance and an appropriate footnote? [GASB 1, Sec. P70.105 (GASB Cod. Sec. P70.105)]	_____	_____	_____
3. Have the following details of the governmental unit's property tax calendar been disclosed:			
a. Lien dates?	_____	_____	_____
b. Levy dates?	_____	_____	_____
c. Due dates?	_____	_____	_____
d. Collection dates? [GASB 1, Sec. P70.109 (GASB Cod. Sec. P70.109)]	_____	_____	_____
4. If a governmental unit is prohibited by law from budgeting or appropriating property taxes recognized as revenue pursuant to Section P70, GASB Cod., has such prohibition been disclosed by a reservation of fund balance and explained in the notes to financial statements? [GASB 1, Sec. P70.104 (GASB Cod. Sec. P70.104)]	_____	_____	_____
C. Sales Taxes			

Yes No N/A

1. For the entity being audited are sales tax revenues both measurable and available, i.e., collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period?
[GASB 1, Sec. S10.101 (GASB Cod. Sec. S10.101)]

2. If taxpayer liability has been established and collectibility is assured or losses can reasonably be estimated, have sales tax revenues been recorded on the modified accrual basis?
[GASB 1, Sec. 1600.107 and footnote 1 (GASB Cod. Sec. 1600.107 and footnote 1)]

3. If taxpayer liability and collectibility for sales taxes has clearly been established, as when tax returns have been filed, but collection, while assured, is delayed beyond the normal time of receipt, have these revenues been recognized as cash is received rather than recorded on the modified accrual basis?
[GASB 1, Sec. S10.102 (GASB Cod. Sec. S10.102)]

4. Have sales taxes collected by merchants which are not yet required to be remitted to the taxing authority at the end of the fiscal year not been accrued?
[GASB 1, Sec. S10.103 (GASB Cod. Sec. S10.103)]

5. Where sales taxes have been collected and held by one government agency for another at year-end, have these taxes been accrued if they are remitted in time to be used as a resource for payment of obligations incurred during the preceding fiscal year?
[GASB 1, Sec. S10.103 (GASB Cod. Sec. S10.103)]

6. Early or Delayed Receipts. Have material sales tax revenues, otherwise not recorded until they are received, been accrued if receipt is

	Yes	No	N/A
<p>delayed beyond the normal time of receipt? [GASB 1, Sec. S10.104 (GASB Cod. Sec. S10.104)]</p>	_____	_____	_____
<p>7. Have material sales tax revenues received prior to normal time of receipt been recorded as deferred revenue? [GASB 1, Sec. S10.104 (GASB Cod. Sec. S10.104)]</p>	_____	_____	_____
D. Income Taxes			
<p>1. Have taxpayer assessed income and gross receipts taxes been recognized as cash is received even though the tax returns have been filed but collection, while assured, is delayed beyond the normal time of receipt? [GASB 1, Sec. 1600.110 (GASB Cod. Sec. 1600.110)]</p>	_____	_____	_____
<p>2. Have known refunds of income and gross receipts taxes been recorded as a liability and a reduction of revenue as of the time the refund claims are filed with the taxing authority? [GASB 1, Sec. 1600.110 (GASB Cod. Sec. 1600.110)]</p>	_____	_____	_____
E. Grants, Entitlements or Shared Revenues			
<p>1. Basis of Accounting. For governmental funds have grants, entitlements, or shared revenues been recognized as revenue in the accounting period when they become susceptible to accrual, i.e., both measurable and available (modified accrual basis)? [GASB 1, Sec. 2300.105L (GASB Cod. Sec. 2300.105L); GASB 1, Sec. G60.103 (GASB Cod. Sec. G60.103)]</p>	_____	_____	_____
<p>2. Has the basis of recording grants, entitlements or shared revenues been disclosed in the notes to financial statements? [GASB 1, Sec. 2300.105L (GASB Cod. Sec. 2300.105L)]</p>	_____	_____	_____

	Yes	No	N/A
<p>3. Where such resources are restricted (more in form than in substance) as for example entitlements or shared revenues, has there been any failure on the part of the recipient to comply with prescribed regulations which would cause a forfeiture of the resources and has this been disclosed in the notes to financial statements? [GASB 1, Sec. G60.109 (GASB Cod. Sec. G60.109); GASB 1, Sec. 2300.105L (GASB Cod. Sec. 2300.105L)]</p>	_____	_____	_____
<p>4. Have entitlements or shared revenues been recorded as revenue at the time of receipt or earlier if susceptible to accrual criteria are met? [GASB 1, Sec. G60.109 (GASB Cod. Sec. G60.109)]</p>	_____	_____	_____
<p>5. Has grant revenue been recognized when the respective expenditures were made? [GASB 1, Sec. G60.109 (GASB Cod. Sec. G60.109)]</p>	_____	_____	_____
<p>6. Have grant and entitlement receipts and outlays been classified as revenues and expenditures respectively? [GASB 1, Sec. G60.115 (GASB Cod. Sec. G60.115)]</p>	_____	_____	_____
<p>7. Has the method selected for recognizing profits under contracts been disclosed? [ARB 45, par. 15 (AC Co4.112); APB 22, par. 13 (AC A10.106); SOP 81-1, par. 21]</p>	_____	_____	_____
<p>8. If the percentage of completion method of accounting is being used by the entity, has disclosure been made of the method(s) of measuring extent of progress toward completion? [SOP 81-1, pars. 21, 25 and 45]</p>	_____	_____	_____
<p>9. Have claims in excess of the agreed contract price been disclosed? [SOP 81-1, pars. 65-67]</p>	_____	_____	_____

F. Expenditures

1. Are expenditures classified by function or program?
[GASB 1, Sec. 1800.115 (GASB Cod. Sec. 1800.115)]
2. Are these expenditures further classified by character, e.g., current capital outlays, and debt service?
[GASB 1, Sec. 1800.118 (GASB Cod. Sec. 1800.118)]
3. Has disclosure been made for the method utilized for the following:
 - a. Have inventory items (materials and supplies) been considered expenditures either when purchased (purchase method) or when used (consumption method)? (Significant amounts of inventory should be reported in the balance sheet.)
[GASB 1, Sec. 1600.122a (GASB Cod. Sec. 1600.122a)]
 - b. Expenditures for insurance and similar services which extend over more than one accounting period need not be allocated between or among accounting periods, but may be accounted for as expenditures of the period of acquisition. Has the method followed been disclosed? [GASB 1, Sec. 1600.122b (GASB Cod. Sec. 1600.122b)]
 - c. If interest expenditures on special assessment indebtedness approximately offsets interest earned on special assessment levies, have both been recorded when due rather than when earned?
[GASB 1, Sec. S40.115 (GASB Cod. Sec. S40.115)]
 - d. If debt service fund resources have been provided during the current year for payment of principal and interest due early in the following year, have the expenditure and

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

related liability been recognized in the debt service fund and has the debt principal amount been removed from the General Long-Term Debt Account Group or has disclosure of subsequent year debt service requirements been made and has the expenditure been accounted for in the year of payment?
 [GASB 1, Sec. 1600.121 (GASB Cod. Sec. 1600.121)]

G. Related Party Transactions

If applicable, have related party transactions been disclosed separately both as to revenue and related operating costs and expenditures?
 [SAS 45 (AU 334); GASB 1, Sec. 2300.105f (GASB Cod. Sec. 2300.105f)]

H. Depreciation

Depreciation expense should not be recorded in governmental funds. Has this policy been followed in all governmental funds?
 [GASB 1, Sec. 1400.116 (GASB Cod. Sec. 1400.116)]

I. Transfers

1. Are residual equity transfers reported as additions to or deductions from the beginning fund balance?
 [GASB 1, Sec. 1800.107 (GASB Cod. Sec. 1800.107)]

2. Are operating transfers reported in the "Other Financing Sources (Uses)" section in the statement?
 [GASB 1, Sec. 1800.107 (GASB Cod. Sec. 1800.107)]

IV. COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -- BUDGET AND ACTUAL -- GENERAL AND SPECIAL REVENUE FUND TYPES

A. General

Yes No N/A

1. Has the combined statement been titled as shown above for the general fund and all special revenue funds and other governmental fund types for which annual budgets have been legally adopted?
[GASB 1, Sec. 2400.102 (GASB Cod. Sec. 2400.102)]
2. Has a column for each separate governmental fund type used been presented showing combined results for all funds of that type?
[GASB 1, Sec. 2200.110 (GASB Cod. Sec. 2200.110)]
3. If a total column is shown, is it captioned "Memorandum Only" because the total column on a combined financial statement is not comparable to a consolidation?
[GASB 1, Sec. 2200.113 (GASB Cod. Sec. 2200.113)]
4. Is there a note to the financial statements which discloses the nature of the column and explains that it does not present consolidated financial information?
[GASB 1, Sec. 2200.113 (GASB Cod. Sec. 2200.113)]
5. Is the budget prepared on a consistent basis in conformity with generally accepted accounting principles (GAAP)?
[GASB 1, Sec. 2400.104 (GASB Cod. Sec. 2400.104)]
6. However, if the legally prescribed budgetary basis differs materially from GAAP, has the budgetary data been compared with actual data on the budgetary basis (e.g., which may include encumbrances)?
[GASB 1, Sec. 2400.104 (GASB Cod. Sec. 2400.104)]
7. Have differences between the budgetary basis and GAAP (as well as other differences) been explained in the notes to financial statements?

Yes	No	N/A
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

	Yes	No	N/A
[GASB 1, Sec. 2400.104 and 2400.113-.123 (GASB Cod. Secs. 2400.104 and 2400.113-.123)]	_____	_____	_____
8. Do the notes to financial statements disclose the degree to which the reporting entity's financial operations are subject to a comprehensive "appropriated budget," "nonappropriated budget," or are nonbudgeted financial activities? [GASB 1, Sec. 2400.111 (GASB Cod. Sec. 2400.111)]	_____	_____	_____
9. When a separate budgetary report is prepared, do the notes to the general purpose financial statements make reference to that report? [GASB 1, Sec. 2400.112 (GASB Cod. Sec. 2400.112)]	_____	_____	_____
V. COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS -- ALL PROPRIETARY FUND TYPES (AND SIMILAR TRUST FUNDS)			
A. General			
1. Is a statement titled "Combined Statement of Revenues, Expenses, and Changes in Retained Earnings -- All Proprietary Fund Types" presented? [GASB 1, Sec. 2200.109--.110 (GASB Cod. Sec. 2200.109-.110)]	_____	_____	_____
2. If material, are the variations between periods in the format of the statement of changes and in the terms used to express changes in financial position adequately disclosed in the financial statements and retroactively applied to all prior periods presented? [SAS 1, section 420 (AU 420.15)]	_____	_____	_____
3. If the disclosure and/or retroactive application in No. 2 above was not made, was this considered in the auditor's opinion regarding consistency? [SAS 1, section 420 (AU 420.15)]	_____	_____	_____

	Yes	No	N/A
4. Does the statement include all proprietary fund types and similar trust funds? [GASB 1, Sec. 2200.129 (GASB Cod. Sec. 2200.129)]	_____	_____	_____
5. Is a separate column used for each proprietary fund type being used and does each column present combined data for such funds? [GASB 1, Sec. 2200.110 (GASB Cod. Sec. 2200.110)]	_____	_____	_____
6. If a total column is shown, is it captioned "Memorandum Only" and is there a note explaining that it does not present consolidated financial information? [GASB 1, Sec. 2200.113 (GASB Cod. Sec. 2200.113)]	_____	_____	_____
7. Are major sources of operating and nonoperating revenues and expenses shown separately on the statement? [GASB 1, Sec. 1800.121 (GASB Cod. Sec. 1800.121)]	_____	_____	_____
8. Has disclosure been made regarding the entity's policy for recognizing proprietary and nonexpendable pension and trust funds revenues and expenses? [GASB 1, Sec. 1600.125 (GASB Cod. Sec. 1600.125)]	_____	_____	_____
9. If sales or revenues are made on the installment or other deferred basis has the method of recognizing income been disclosed? [GASB 1, Secs. 1600.116 and 125 (GASB Cod. Secs. 1600.116 and 125)]	_____	_____	_____
B. Extraordinary Items			
1. Has gain or loss resulting from an involuntary conversion of a nonmonetary asset to a monetary asset been classified as either an extraordinary item or an unusual or infrequent item, whichever is applicable? [FASBI No. 30, par. 4 (AC N35.118)]	_____	_____	_____

Yes No N/A

2. Was the following disclosure made for gains or losses from extinguishment of debt that are classified as extraordinary items:

a. A description of the extinguishment transactions, including the sources of any funds used to extinguish debt if it is practicable to identify the sources?
[SFAS 4, par. 9 (AC D14.107)]

3. Regardless of where the debt is reported for an advance refunding, has a general description of the transaction been provided including, as a minimum:

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

b. The economic gain or loss resulting from the transaction?
[GASB 7, par. 11 (GASB Cod. Sec. D20.111)]

4. Have the following criteria for extraordinary items been considered:

a. Have material events on transactions that are unusual in nature or occur infrequently but not both, and therefore do not meet both criteria for classification as an extraordinary item, been reported as a separate component of income from continuing operations?
[APB 30, par. 26 (AC I22.101)]

b. Have the nature and financial effect of each transaction or event been disclosed?
[APB 30, par. 26 (AC I22.101)]

c. In the absence of discontinued operations and changes in accounting principles, have the following main captions been disclosed where extraordinary items are reported:

(1). Income before extraordinary items?

	Yes	No	N/A
(2). Extraordinary items? (Note X)	_____	_____	_____
(3). Net Income? [APB 30, par. 11 (AC I17.102)]	_____	_____	_____
5. Do disclosures include descriptions of an extraordinary event(s) or transaction(s) and the principal items entering into the determination of extraordinary gain(s) or loss(es)? [APB, par. 11 (AC I17.102)]	_____	_____	_____
6. Have all extraordinary items been segregated from results of ordinary operations? [APB 30, par. 10]	_____	_____	_____
7. For an adjustment of an extraordinary item reported in a prior period:			
a. Is the adjustment classified separately as an extraordinary item in the current period?	_____	_____	_____
b. Are the nature, origin and amount of the item disclosed? [SFAS 16, par. 16(c) (AC I17.119)]	_____	_____	_____
C. Grants, Entitlements or Shared Revenues			
1. Have grants, entitlements, or shared revenues received for proprietary fund operating purposes, for which may be utilized for either operations or capital expenditures at the discretion of the recipient government, been recognized as "nonoperating" revenues in the accounting period in which they are earned and become measurable (accrual basis)? [GASB 1, Sec. G60.110 (GASB Cod. Sec. G60.110)]	_____	_____	_____
2. When such resources in proprietary funds have been restricted for the acquisition or construction of capital assets, have the resources been recorded as contributed equity? [GASB 1, Sec. G60.110 (GASB Cod. Sec. G60.110)]	_____	_____	_____

Yes No N/A

3. Have grants, entitlements or shared revenues recorded in trust funds been recognized as revenues on a basis consistent with the fund's measurement objective (governmental or proprietary)?

[GASB 1, Sec. G60.111 (GASB Cod. Sec. G60.111)]

4. If the option was elected to show depreciation on grant and entitlement fixed assets as a reduction of the contributed capital account, was a corresponding amount shown after net income and labeled similar to "Add depreciation on fixed assets acquired by grants, entitlements, and shared revenues externally restricted for capital acquisitions and construction that reduces contributed capital"?

[GASB 1, Sec. G60.116 (GASB Cod. Sec. G60.116)]

D. Interest

Has the following information with respect to interest cost been disclosed in the financial statements or related notes:

1. For an accounting period in which no interest cost is capitalized, the amount of interest cost incurred and charged to expense during the period?

2. For an accounting period in which some interest cost is capitalized, the total amount of interest cost incurred during the period and the amount thereof that has been capitalized?

[SFAS 34, par. 21 (AC I67.118)]

E. Residual Equity and Operating Transfers

1. Are residual fund transfers reported as additions to contributed capital or as reductions of retained earnings or contributed capital as appropriate in the circumstances?

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

Yes No N/A

2. Are operating transfers reported in the "Operating Transfers Section" of the statement?
[GASB 1, Sec. 1800.107 (GASB Cod. Sec. 1800.107)]

F. Related Party Transactions

Was disclosure made separately of material revenues and related costs and expenses in connection with transactions with related parties?

[GASB 1, Sec. 2300.105f (GASB Cod. Sec. 2300.105f); SFAS 57, par. 2 (AC R36.102)]

G. Depreciation

Have the following disclosures been made in the financial statements or in notes thereto (depreciation is provided on property and equipment recorded in proprietary funds):

1. Depreciation expense for the period?
2. Balance of major classes of depreciable assets, by nature or function at the balance sheet date?
3. Accumulated depreciation, either by major classes of depreciable assets or in total at the balance sheet date?
4. A general description of the method or methods used in computing depreciation with respect to major classes of depreciable assets?
[GASB 1, Sec. 1400.114-.115 (GASB Cod. Sec. 1400.114-.115); APB 12, par. 5 (AC D40.105)]

H. Nonmonetary Transactions

If one or more nonmonetary transactions occurred during the period, was disclosure made in the financial statements of the nature of the transactions, the basis of accounting for the assets transferred, and gains or losses recognized on transfers?

[APB 29, par. 28 (AC N35.120)]

Yes No N/A

I. Gains on Sales of Securities

For each period for which an income statement is presented has the following been disclosed:

1. Net realized gain or loss included in the determination of net income? _____
2. The basis on which cost was determined in computing realized gain or loss (that is, average cost or other method used)? [ASLGU, Chap. 7, par. 10; SFAS 12, par. 12 (AC I89.106)] _____

J. Futures Contracts

If the enterprise has entered into futures contracts that have been accounted for as hedges was the following disclosed:

1. The nature of the assets, liabilities, firm commitments, or anticipated transactions that are hedged with futures contracts? _____
2. Method of accounting for the futures contracts? The disclosure of the method shall include a description of the events or transactions that result in recognition in income of changes in value of the futures contracts. [SFAS 80, par. 2 (AC F80.112)] _____

K. Research and Development Costs

Has disclosure been made in the financial statements of the total research and development costs charged to expense in each period for which an income statement is presented? [SFAS 2, par. 13 (AC R50.109)] _____

L. Changes in Fund Balances/Retained Earnings

1. Has disclosure been made of changes in all fund balances/retained earnings? [APB 12, par. 10 (AC Co8.102); GASB 1, Sec. 2200.110 (GASB Cod. Sec. 2200.110)] _____

Yes No N/A

2. Where a difference exists between the opening fund balances/retained earnings and the ending balances/retained earnings previously reported, have these been disclosed?
[APB 9, par. 26 (AC A35.107)]

M. Segment Information

1. Have segment disclosures been made for all "major nonhomogeneous" enterprise funds?
[GASB 1, Sec. 2500.104 (GASB Cod. Sec. 2500.104)]
2. If segment disclosures are necessary to make the general purpose financial statements (GPFS) not misleading have they been presented?
[GASB 1, Sec. 2500.104 (GASB Cod. Sec. 2500.104)]
3. Have the following segment disclosures necessary to make financial statements not misleading been disclosed:
- a. Material intergovernmental operating subsidiaries to an enterprise fund?
 - b. Material intragovernmental operating subsidiaries to or from an enterprise fund?
 - c. Material enterprise tax revenues?
 - d. A material enterprise fund operating income or loss?
 - e. A material enterprise fund net income or loss?
[GASB 1, Sec. 2500.105 (GASB Cod. Sec. 2500.105)]
4. Have the following disclosures been made for each "major nonhomogeneous" enterprise fund and in the aggregate for all other enterprise funds:
- a. Types of goods or services provided?

	Yes	No	N/A
b. Operating revenues (total revenues from sales of goods or services)? (Sales to other funds of the governmental unit, if material, should be separately disclosed.)	_____	_____	_____
c. Depreciation, depletion and amortization expenses?	_____	_____	_____
d. Operating income or loss (operating revenues less operating expenses)?	_____	_____	_____
e. Operating grants, entitlements, and shared revenues?	_____	_____	_____
f. Operating interfund transfers in and out?	_____	_____	_____
g. Tax revenues?	_____	_____	_____
h. Net income or loss (total revenues less total expenses)?	_____	_____	_____
i. Current capital contributions and transfers?	_____	_____	_____
j. Property, plant, and equipment additions and deletions?	_____	_____	_____
k. Net working capital (current assets less current liabilities)?	_____	_____	_____
l. Total assets?	_____	_____	_____
m. Bonds and other material long-term liabilities outstanding (amounts payable solely from operating revenues should be disclosed separately from amounts also potentially payable from other sources)?	_____	_____	_____
n. Total equity?	_____	_____	_____
o. Has disclosure been made of any other material facts necessary to make the GPFS not misleading? [GASB 1, Sec. 2500.107 (GASB Cod. Sec. 2500.107)]	_____	_____	_____

VI. COMBINED STATEMENT OF CASH FLOWS-ALL PROPRIETARY FUND TYPES (AND SIMILAR TRUST FUNDS)

A. Title

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

B. Format and Policy

1. Is a statement of cash flows presented for each period for which results of operations are presented?
[GASB 5, par. 6]

2. Does the statement of cash flows report the cash effects during the reported period of the entity's operations, its noncapital financing transactions, its capital and related financing transactions, and its investing transactions?
[GASB 9, pars. 7 and 15]

3. Is related information reported on investing, capital, and financing transactions that affect the entity's financial position but do not directly affect cash flows during the period?
[GASB 9, par. 7]

4. Was a reconciliation of operating income (or net income if operating income is not separately identified on the operating statement) to net cash flow from operating activities provided about the net effect of operating income and operating cash flows in different periods?
[GASB 9, par. 7]

5. Does the statement of cash flows explain the changes in cash and cash equivalents regardless of whether there are restrictions on their use?
[GASB 9, par. 8]

6. Does the statement use a descriptive term such as cash or cash and cash equivalents rather than the term funds?
[GASB 9, par. 8]

	Yes	No	N/A
7. Did the entity disclose its policy concerning which short-term highly liquid investments it will treat as cash equivalents? [GASB 9 par. 11]	_____	_____	_____
8. If there was a change in policy was it considered a change in accounting principle reported by restating financial statements for earlier years presented for comparative purposes? [GASB 9 par. 11]	_____	_____	_____
C. Classification of cash receipts and cash payments			
1. Are cash receipts and cash payments for the following transactions classified as cash flows from operating activities:			
a. Cash inflows from sales of goods or services?	_____	_____	_____
b. Cash receipts from quasi-external operating transactions with other funds?	_____	_____	_____
c. Cash receipts from grants for specific activities that are considered to be operating activities of the grantor government?	_____	_____	_____
d. Cash receipts from other funds for reimbursement of operating transactions?	_____	_____	_____
e. Cash payments to acquire materials for providing services and manufacturing goods for resale?	_____	_____	_____
f. Cash payments to other suppliers for other goods or services?	_____	_____	_____
g. Cash payments to employees for services?	_____	_____	_____
h. Cash payments for grants to other governments or organizations for specific activities that are considered to be operating activities of the grantor government?	_____	_____	_____

	Yes	No	N/A
i. Cash payments for taxes, duties, fines, and other fees or penalties?	_____	_____	_____
j. Cash payments for quasi-external operating transactions with other funds, including payments in lieu of taxes.	_____	_____	_____
k. All other cash receipts and payments that do not result from transactions defined as capital and related financing, noncapital financing, or investing activities? [GASB 9, pars. 17-18]	_____	_____	_____
2. Are transactions of loan programs undertaken to fulfill a governmental responsibility classified as transactions from operating activities? [GASB 9, par. 19]	_____	_____	_____
3. Are cash receipts and payments for the following transactions classified as cash flows from noncapital financing activities:			
a. Proceeds from issuing bonds, notes, and other short- or long-term borrowing not clearly attributable to acquisition, construction, or improvement of capital assets?	_____	_____	_____
b. Cash receipts from grants or subsidies except those specifically restricted for capital purposes and those for specific activities that are considered to be operating activities of the grantor government?	_____	_____	_____
c. Cash received from other funds except those amounts that are clearly attributable to acquisition, construction, or improvement of capital assets, quasi-external operating transactions, and reimbursement for operating transactions?	_____	_____	_____
d. Cash received from property and other taxes collected for the governmental enterprise and not specifically restricted for capital purposes?	_____	_____	_____

	Yes	No	N/A
e. Repayments of amounts borrowed for purposes other than acquiring, constructing, or improving capital assets?	_____	_____	_____
f. Interest payments to lenders and other creditors on amounts borrowed or credit extended for purposes other than acquiring, constructing, or improving capital assets?	_____	_____	_____
g. Cash paid as grants or subsidies to other governments or organizations, except those for specific activities that are considered to be operating activities of the grantor government?	_____	_____	_____
h. Cash paid to other funds, except for quasi-external operating transactions? [GASB 9, pars. 21-22]	_____	_____	_____
4. Are cash receipts and cash payments for the following transactions classified as cash flows from capital and related financing activities:			
a. Proceeds from issuing or refunding bonds, mortgages, notes, and other short- or long-term borrowing clearly attributable to the acquisition, construction, or improvement of capital assets?	_____	_____	_____
b. Receipts from capital grants awarded to the governmental enterprise?	_____	_____	_____
c. Receipts from contributions made by other funds, other governments, and other organizations or individuals for the specific purpose of defraying the cost of acquiring, constructing, or improving capital assets?	_____	_____	_____
d. Receipts from sales of capital assets; also, proceeds from insurance on capital assets that are stolen or destroyed?	_____	_____	_____
e. Receipts from special assessments or property and other taxes levied specifically			

	Yes	No	N/A
to finance the construction, acquisition, or improvement of capital assets?	_____	_____	_____
f. Payments to acquire, construct, or improve capital assets?	_____	_____	_____
g. Repayments or refundings of amounts borrowed specifically to acquire, construct or improve capital assets?	_____	_____	_____
h. Other principal payments to vendors who have extended credit to the governmental enterprise directly for purposes of acquiring, constructing, or improving capital assets?	_____	_____	_____
i. Cash payments to lenders and other creditors for interest directly related to acquiring, constructing, or improving capital assets? [GASB 9, pars. 24-25]	_____	_____	_____
5. Are cash receipts and cash payments for the following transactions classified as cash flows from investing activities?			
a. Receipts from collections of loans (except 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?	_____	_____	_____
b. Receipts from sales of equity instruments and from returns of investment in those instruments?	_____	_____	_____
c. Interest and dividends received as returns on loans (except program loans), debt instruments of other entities, equity securities, and cash management of investment pools?	_____	_____	_____
d. Withdrawals from investment pools that the governmental enterprise is not using as demand accounts?	_____	_____	_____

	Yes	No	N/A
e. Disbursements for loans (except program loans) made by the governmental enterprise and payments to acquire debt instruments of other entities (other than cash equivalents)?	_____	_____	_____
f. Payments to acquire equity instruments?	_____	_____	_____
g. Deposits into investment pools that the governmental enterprise is not using as demand accounts? [GASB 9, pars. 27-28]	_____	_____	_____
D. Content and form			
1. Does the statement of cash flows report net cash provided or used in each of the four categories, as well as the net effect of those flows on cash and cash equivalents during the period in a manner that reconciles beginning and ending cash and cash equivalents? [GASB 9, par. 30]	_____	_____	_____
2. In reporting cash flows from operating activities were major classes of gross cash receipts and gross cash payments and their arithmetic sum, the net cash flow from operating activities (the direct method), reported? [GASB 9, par. 31]	_____	_____	_____
3. If yes were the following classes of operating cash receipts and payments separately reported?			
a. Cash receipts from customers?	_____	_____	_____
b. Cash receipts from quasi-external operating transactions with other funds?	_____	_____	_____
c. Other operating cash receipts, if any?	_____	_____	_____
d. Cash payments to other suppliers of goods or services?	_____	_____	_____
e. Cash payments to employees for services?	_____	_____	_____

	Yes	No	N/A
f. Cash payments for quasi-external operating transactions with other funds, including payments in lieu of taxes?	_____	_____	_____
g. Other operating cash payments, if any? [GASB 9, par. 31]	_____	_____	_____
4. Were net cash flows from operating activities reported indirectly by adjusting operating income for net income (if operating is not separately identified on the operating statement) to reconcile it to net cash flow from operating activities? [GASB 9, par. 32]	_____	_____	_____
a. If yes was the following done:			
(1). Was operating income adjusted to remove the effects of depreciation, amortization, and other deferrals of past operating cash receipts and payments, such as changes during the period in inventory, deferred revenue, and the like, and all accruals of expected future operating cash receipts and payments, such as changes during the period in receivables and payables? [GASB 9 par. 32]	_____	_____	_____
(2). If the reconciliation was to net income rather than operating income, was the effect of all items whose cash effects were capital and related financing, noncapital financing, or investing cash flows removed? [GASB 9 par. 32]	_____	_____	_____
5. Was a reconciliation of operating income (or net income if operating income is not separately identified on the operating statement) to net cash flow from operating activities provided regardless of whether the direct or indirect method of reporting net cash flow from operating activities was used? [GASB 9, par. 33]	_____	_____	_____
6. Did the reconciliation separately report all			

Yes No N/A

major classes of reconciling items, at a minimum, changes during the period in receivables pertaining to operating activities, in inventory, and in payables pertaining to operating activities?

[GASB 9, par. 33]

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

[GASB 9, par. 34]

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

[GASB 9, par. 33]

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

[GASB 9, par. 34]

E. Noncash Investing, Capital, and Financing Activities

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

[GASB 9, par. 37]

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

[GASB 9, par. 37]

Yes No N/A

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

FSP Section 3500

Other Disclosures

Done
By Date W/P
 Ref.

I. .01 Pension Disclosures

A. Pension Plans--Separately Issued PERS Reports--
Defined Benefit Pension Information

For pension disclosures in separately issued
PERS financial reports, do the notes to the
financial statements disclose the following:

1. Plan description

a. Identification of the PERS as the
administrator of a single-employer agent
multiple-employer, or cost sharing
multi-employer plan, and the reporting
entity, if any, of which it is a component
unit; also number and types of contributing
employers and non-employer contributors? _____

b. Types of employees covered and current
membership, with separate identification of
the number of (a) retirees and beneficiaries
currently receiving benefits, and terminated
employees entitled to benefits but not yet
receiving them and (b) fully vested,
partially vested, and non-vested active
employees covered by the plan? _____

c. A brief statement about benefit provisions,
employee eligibility requirements including
eligibility for vesting and the authority
under which benefit provisions are
established? _____

d. Employer and employee obligations to
contribute and the authority under which
those obligations are established?
[GASB 5, par. 30a (GASB Cod. Sec. Pe6.130a)] _____

2. Summary of Significant Accounting Policies and
Plan Asset Matters

a. Significant accounting policies including

Done		W/P
By	Date	Ref.

basis of accounting, method used to value assets for balance sheet purposes, and, if assets are valued at cost, the method used to account for exchanges or "SWAPS" of securities? (Also, disclose the effects on the amount of net assets available for benefits of any changes in accounting policies during the year.)

b. Investments (other than U.S. government and U.S. government guaranteed obligations) in any one organization that represents 5 percent or more of net assets available for benefits?

c. Investments in, loans to, or leases with any PERS official, governmental employer official, party related to a PERS official or governmental employer official or nonemployer contributor or organization included in the reporting entity of any participating employer? (Loans to employees from their own contribution, permitted by the terms of the plan, should not be listed.)

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

3. Funding Status and Progress

a. Explanation that the pension benefit obligation, which is the actuarial present value of credited projected benefits is a standardized disclosure measure of the present value of pension benefits, adjusted for the effect of projected salary increases and any step-rate benefits estimated to be payable in the future as a result of employee service to date?

b. Date of the actuarial valuation performed to determine the pension benefit obligation?

c. Significant actuarial assumptions used to compute the pension benefit obligation, including rate of return on investment of present and future assets (discount rate)

Done		W/P
By	Date	Ref.

projected salary increases due to (1) inflation and (2) merit or seniority, and postretirement benefit increases?

[The rate of return on investments should be a rate based on an estimated long-term yield considering (i) the nature and mix of current and expected investment and (ii) the basis used to value those assets. That rate and other assumptions should be determined by taking into account all relevant factors and expectations and should be calculated in accordance with recognized actuarial principles.]

- | | | | |
|--|-------|-------|-------|
| | _____ | _____ | _____ |
| d. Pension benefit obligation in total and segregated as follows: | | | |
| (1). Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them? | _____ | _____ | _____ |
| (2). Current employees-- | | | |
| (a). Accumulated employee contributions including allocated investment income, if any? | _____ | _____ | _____ |
| (b). Employer-financed vested? | _____ | _____ | _____ |
| (c). Employer-financed nonvested? | _____ | _____ | _____ |
| e. Net assets available for benefits, as of the same date as the pension benefit obligation, determined in accordance with the method used to value assets for PERS balance sheet purposes? If assets are valued at other than market, has market value also been disclosed? | _____ | _____ | _____ |
| f. Difference between the total amounts in d. and e. labeled "Unfunded [assets in excess of] Pension Benefit Obligation"? | _____ | _____ | _____ |
| g. Explanation including separate dollar | | | |

Done	W/P
By Date	Ref.

effects on the pension benefit obligation,
of any current-year changes in (1) actuarial
assumptions or (2) benefit provisions?
[GASB 5, par. 30c (GASB Cod. Sec. Pe6.130c)]

4. Contributions Required and Contributions Made

a. Funding Policy, including the role of
actuarially determined contributions required
in carrying out that policy?

b. If contribution requirements are actuarially
determined, have these disclosures been
made:

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

(2). Has a statement been included that
significant actuarial assumptions used to
compute actuarially determined
contribution requirements are the same as
those used to compute the pension benefit
obligation, or explanation of the
differences?

(3). Actuarially determined contribution
requirements and the amounts intended to
(i) cover normal cost and (ii) amortize
any unfunded actuarial accrued liability,
and contributions actually made by
employer(s) and employees. Single-
employer PERS and cost-sharing multiple-
employer PERS should also disclose both
employer and employee contributions
actually made as percentages of the
current-year covered payroll?

(4). Explanation, including separate dollar
effects on contribution requirements, of
any current-year changes in (i) actuarial
assumptions, (ii) benefit provisions,
(iii) actuarial funding methods, or (iv)
other significant factors?

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- c. If contribution requirements are not actuarially determined, were the following disclosed:
- (1). The fact that the contribution requirement was not actuarially determined? _____
 - (2). How the requirement was established? (For example, a rate established by law) _____
 - (3). Whether an actuary was used to determine the actuarial implications of the requirement (for example, period of amortization of the unfunded actuarial accrued liability), and what those implications are? _____
 - (4). The amount of the contribution requirement and the contribution actually made by employer(s) and employees. Single-employer PERS and cost sharing multi-employer PERS should also disclose both employer and employee contributions actually made as percentages of current-year covered payroll? _____
 - (5). Explanation, including separate dollar effects on contribution requirements, of any current-year changes in the method used to calculate or establish contribution requirements, for example, a change in the law? [GASB 5, par. 30d (GASB Cod. Sec. Pe6.130d)] _____
5. Location of the 10-year historical trend information required to be disclosed by paragraph 32 of Statement No. 5 of the Governmental Accounting Standards Board (see below), and an explanation that this provides information about progress made in accumulating sufficient assets to pay benefits when due? [GASB 5, par. 30e (GASB Cod. Sec. Pe6.130e)] _____
6. Does the PERS reporting also include

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disclosure of 10-year historical trend information as required supplementary information?

[GASB 5, par. 31 (GASB Cod. Sec. Pe6.131)]

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

a. Net assets available for benefits (as of the same date as the pension benefit obligation and as valued for PERS balance sheet purposes), the pension benefit obligation, and the former expressed as a percentage of the latter, also unfunded [assets in excess of] pension benefit obligation, annual covered payroll, and the former expressed as a percentage of the latter?

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

(1). Except for agent multiple-employer PERS, employer contributions should be expressed both as dollar amounts and as percentages of annual covered payroll?
(The disclosure should state whether contributions were made in accordance with actuarial requirements.)

c. If contributions actually made for particular years differed from actuarial or legal requirements, both the contribution made and the contribution required should be presented for those years?

d. Has the timing, nature and total dollar effect of any changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, or other factors that significantly affect the information presented in a, b and c above been disclosed for the year in which the

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changes are made?
 [GASB 5, par. 32 (GASB Cod. Sec. Pe6.132)]

_____	_____	_____
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B. Pension Disclosures in Employer Financial Reports--Defined Benefit Pension Information--Single-Employer and Agent Multiple-Employer Plans

1. Do employers disclose in their notes to financial statements the information that follows for each single-employer PERS and each agent multi-employer PERS to which they contribute:

a. Plan Description

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

_____	_____	_____
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(2). Amount of the employer's current-year covered payroll and the employer's total current-year payroll for all employees?

_____	_____	_____
-------	-------	-------

(3). A brief statement about types of employees covered, benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established?

_____	_____	_____
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(4). Employer and employee obligations to contribute and the authority under which those obligations are established? [GASB 5, par. 35a (GASB Cod. Sec. P20.123a)]

_____	_____	_____
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b. The amounts and types of securities, if any, of the employer and related parties included in PERS assets, including loans to the employer? (Whether in the form of notes, bonds, or other instruments)
 [GASB 5, par. 35b (GASB Cod. Sec. P20.123b)]

_____	_____	_____
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c. Funding Status and Progress

(1). Explanation that the pension benefit

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obligation which is the actuarial present value of credited projected benefits, is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and any step-rate benefits, estimated to be payable in the future as a result of employee service to date?

- (2). Date of the actuarial valuation performed to determine the pension benefit obligation?
(Actuarial valuations must be performed at least biennially, with an actuarial up-date to the date 12 months after that biennial valuation.) (Balance sheet date valuations are encouraged but not required.)
-

- (3). Significant actuarial assumptions used to compute the pension benefit obligation, including rate of return on investment of present and future assets (discount rate), projected salary increases due to (a) inflation and (b) merit or seniority, and postretirement benefit increases? The rate of return on investments should be a rate based on an estimated long-term yield considering (i) the nature and mix of current and expected investments and (ii) the basis used to value those assets.
-

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

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

- (b). Current employees-

- (i) Accumulated employee contributions including

	Done By	Date	W/P Ref.
allocated investment income, if any?	_____	_____	_____
(ii) Employer-financed vested?	_____	_____	_____
(iii) Employer-financed nonvested?	_____	_____	_____
(5). Net assets available for benefits, as of the same date as the pension benefit obligation, determined in accordance with the method used to value assets for PERS balance sheet purposes?	_____	_____	_____
(a). Also, the method used to value assets for PERS balance sheet purposes?	_____	_____	_____
(b). If assets are valued at other than market, is market value also disclosed?	_____	_____	_____
(6). Difference between the total amounts in 4 and 5 labeled "Unfunded [assets in excess of] Pension Benefit Obligation"?	_____	_____	_____
(7). Explanation, including separate dollar effects on the pension benefit obligation, of any current-year changes in (1) actual assumptions? or (2) benefit provisions? [GASB 5, par. 35c (GASB Cod. Sec. P20.123c)]	_____	_____	_____
d. Contributions Required and Contributions Made			
(1). Funding policy, including the role of actuarially determined contribution requirements in carrying out that policy?	_____	_____	_____
(2). If contribution requirements are actuarially determined, have these disclosures been made:			
(a). Actuarial funding method and the period and method for amortizing any unfunded actuarial accrued liability?	_____	_____	_____
(b). Statement that significant actuarial assumptions used to compute actuarially			

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determined contribution requirements are the same as those used to compute the pension benefits obligation, or an explanation of the differences?

(c). Actuarially determined contribution requirements and the amounts intended to (a) cover normal cost and (b) amortize any unfunded actuarial accrued liability, and contributions actually made by the employer and employees, expressed both in dollar amounts and as percentages of current-year covered payroll?

(d). Explanation including separate dollar effects on contribution requirements, of any current-year changes in (a) actuarial assumptions, (b) benefits provisions, (c) actuarial funding method, or (d) other significant factors?

(3). If contribution requirements are not actuarially determined, have the following disclosures been made:

(a). The fact that the contribution requirement was not actuarially determined?

(b). How the requirement was established (for example, a rate established by law)?

(c). Whether an actuary was used to determine the actual implications of the requirement (for example period of amortization of the unfunded actuarial accrued liability), and what those implications are?

(d). The amount of the contribution requirement and the contribution actually made by employer and employees. Also disclose both the employer and employee contributions actually made as

	Done By	Date	W/P Ref.
percentages of current year covered payroll?	_____	_____	_____
(e). Explanation including separate dollar effects on contributions required of any current-year changes in the method used to calculate or establish contribution requirements, for example, a change in the law? [GASB 5, par. 35d (GASB Cod. Sec. P20.123d)]	_____	_____	_____
e. Three-Year Historical Trend Information (Until three years' data are available; as many years as are available should be presented.)			
(1). Net assets available for benefits expressed as percentages of the pension benefit obligation applicable to the entity's employees?	_____	_____	_____
(2). Unfunded [assets in excess of] pension benefit obligation, expressed as percentages of annual covered payroll?	_____	_____	_____
(3). Employer contributions expressed as percentages of annual covered payroll. This disclosure should state whether contributions were made in accordance with actuarially determined requirements? [GASB 5, par. 35e (GASB Cod. Sec. P20.124e)]	_____	_____	_____
f. References to 10-year historical trend information in separately issued PERS reports (or in employer reports: see Section IB2) and an explanation that this provides information about progress made in accumulating sufficient assets to pay benefits when due? [GASB 5, par. 35f (GASB Cod. Sec. P20.123f)]	_____	_____	_____
2. Has the following required 10-year trend information been disclosed:			

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	By	Date	Ref.
a. Net assets available for benefits? (As of the same date as the pension benefit obligation as valued for PERS balance sheet purposes.)	_____	_____	_____
b. Pension benefits obligation, and the net assets available for benefits expressed as a percentage of the pension benefit obligation?	_____	_____	_____
c. Unfunded [assets in excess of] pension benefit obligation, annual covered payroll, and the percentage of unfunded [assets in excess of] pension benefits obligation as a percentage of annual covered payroll?	_____	_____	_____
d. The timing, nature and total dollar effect of any changes in actuarial assumptions, benefits provisions, actuarial funding methods, accounting policies or other factors that significantly affect the information presented for the year in which the changes are made? [GASB 5, par. 36 (GASB Cod. Sec. P20.124)]	_____	_____	_____
C. Single Employer PERS Included as a Pension Trust Fund in the Employer Reporting Entity - Defined Benefit Pension Information			
Does the employer reporting on its participation in a single-employer PERS that is included as a pension trust fund in the employer reporting entity make the following disclosures:			
1. A single set of disclosures representing a combination of the disclosures required by Sections IA and IB of this disclosure checklist adapted to cover both the PERS and the employer?	_____	_____	_____
2. In order to satisfy the requirements of Section IB1f of this disclosure checklist (reference to 10-year historical trend information in separately issued PERS reports or in employer reports and an explanation that this provides information about progress made			

Done	Date	W/P
By		Ref.

in accumulating sufficient assets to pay benefits when due), has the employer made reference to the required 10-year historical trend information included in an employer CAFR or in a separately issued PERS report, if that report is publicly available?

[GASB 5, par. 37 (GASB Cod. Sec. P.20.125)]

D. Multi-Employer PERS Included as a Pension trust Fund in the Employer Reporting Entity-Defined Benefit Pension Information

Does the employer reporting entity combine the disclosure requirements of:

1. Section IA - "Pension Plan Disclosures in Separately Issued PERS Reports - Defined Benefit Information?"
 2. Section IB1 - "Pension Disclosures in Employer Financial Reports - Defined Benefit Pension Information?"
 3. Section IB2 - certain 10-year historical information?
 4. Section IE - "Employers Contributing to Cost-Sharing Multi-Employer PERS - Defined Benefit Pension Information?"
- [GASB 5, par. 38 (GASB Cod. Sec. P20.126)]

E. Employers Contributing to Cost-Sharing Multi-Employer PERS - Defined Benefit Pension Information

Do the employers disclose in their notes to financial statements the following information for each cost-sharing multi-employer PERS to which they contribute:

1. Identification of the PERS as a cost-sharing multiple-employer PERS?
2. Amount of the employer's current-year covered payroll and the employer's total current-year payroll for all employees?

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3. A brief statement about types of employees covered, benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established? _____

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

5. The entity's actuarially determined contribution requirement and the employee and employer contributions actually made, expressed both in dollar amounts and as percentages of the employer's current-year covered payroll; also, disclose any current-year changes in actuarial assumptions, benefit provisions, actuarial funding method, or other significant factors and the aggregate effect on the employer's contribution rate, expressed as a percentage of the employer's current-year covered payroll? _____

6. Explanation that the pension benefit obligation, which is the actuarial present value of credited projected benefits, is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and any step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the PERS funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS and among employers? _____

7. The total PERS pension benefit obligation and the total PERS net assets available for benefits (as of the same date as the pension benefit obligation)? _____

[An entity whose contribution to a cost-

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sharing multiple-employer PERS exceeds 50 percent of the actuarially determined contribution requirements for all participating entities may disclose its allocated share of the PERS pension benefit obligation and net assets available for benefits instead of the disclosure required by GASB No. 5, paragraph 39g. That allocation should be based on the percentage required to be disclosed in paragraph 39h, and the method of allocation should be disclosed.]

- | | | | |
|--|-------|-------|-------|
| <p>8. The employer's actuarially determined contribution requirement expressed as a percentage of total current-year actuarially determined contribution requirements for all employers?</p> | _____ | _____ | _____ |
| <p>9. Reference to 10-year historical trend information in separately issued PERS reports and an explanation that this provides information about progress made in accumulating sufficient assets to pay benefits when due?</p> | _____ | _____ | _____ |
| <p>10. The amounts and types of securities, if any, of the employer and related parties included in PERS assets, including loans to the employer (whether in the form of notes, bonds, or other instruments)?
[GASB 5, par. 39 (GASB Cod. Sec. P20.127)]</p> | _____ | _____ | _____ |

F. Component Units' Pension Information in the Reporting Entity's Financial Reports - Defined Benefit Pension Information

- | | | | |
|--|-------|-------|-------|
| <p>1. When separate financial reports of component units are publicly available (containing the pension disclosures required by GASB Statement No. 5), have the reporting entity's disclosures been minimized by referring to those reports and providing condensed data?
[GASB 5, par. 40 (GASB Cod. Sec. P20.128)]</p> | _____ | _____ | _____ |
| <p>2. Have disclosure requirements in Section IB been limited to the following:</p> | _____ | _____ | _____ |

	Done By	Date	W/P Ref.
a. Pension benefit obligation?	_____	_____	_____
b. Net assets available for benefits?	_____	_____	_____
c. A statement indicating whether actuarially determined employer contribution requirements were met? [GASB 5, par. 40 (GASB Cod. Sec. P20.128)]	_____	_____	_____
3. Have Section IE disclosures (employees contributing to cost-sharing multi-employer PERS) been limited to a statement that actuarially determined contribution requirements were met and that the contributions were made to the same cost-sharing multi-employer PERS in which the oversight entity participates, if that is the case? [GASB 5, par. 40 (GASB Cod. Sec. P20.128)]	_____	_____	_____
G. Noncontributing Employers - Defined Benefit Pension Information			
1. If the employer is not legally responsible for making contributions to a PERS but its employees are covered by a PERS because of contributions made by another entity, as described in GASB 5, par. 11, did the employer disclose in its notes to financial statements the following information for each of those situations:			
a. Name of the entity making contributions on behalf of the employer's employees and the amount of the contribution?	_____	_____	_____
b. Types of employees covered and employee eligibility requirements, including eligibility for vesting?	_____	_____	_____
c. The employer's total current-year payroll for all employees, and its current-year covered payroll for that plan?	_____	_____	_____
d. Employee and nonemployer contributor obligations to contribute and the authority			

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under which those obligations are established?

[GASB 5, par. 41 (GASB Cod. Sec. P20.129)]

2. If the legal responsibility for making contributions remains with the participating employer but another entity pays the annual employer contribution directly to the PERS as a matter of convenience, did the entity comply with the disclosure requirements of Section IB-E of this checklist which apply to the participating employer?

[GASB 5, par. 41 (GASB Cod. Sec. P20.129)]

H. Unfunded Pension Arrangements - Defined Benefit Pension Information

If the defined benefit pension arrangement is not being funded and no contributions are made from any source before benefits are actually paid to retirees and other beneficiaries, has the employer disclosed its pension obligations? Were the disclosure requirements in Section IB-E of this checklist followed?

[GASB 5, par. 42 (GASB Cod. Sec. P20.130)]

I. Reporting by Nonemployer Contributors - Defined Benefit Pension Information

Have the following disclosures been considered for each nonemployer contributor:

1. If the entity is legally responsible for making contributions to PERS that cover individuals other than their own employees?
2. If the nonemployer contributor is legally responsible for contributions to a single-employer or agent multi-employer PERS, has disclosure been made about its participation in the PERS in accordance with Section IB-D, as appropriate?
3. If the nonemployer contributor is responsible for making contributions to a cost-sharing multi-employer PERS, do the disclosures conform to the requirements of Section IE?

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4. Have disclosures made in accordance with Section I.B.1.a(2) and I.E.2. been limited to the number of employees and amount of payroll covered by the PERS to which the contributions are made?
 [GASB 5, par. 43 (GASB Cod. Sec. P20.131)]

J. Defined Contribution Pension Information

Have the following disclosures been considered for each defined contribution pension plan:

1. If the pension plan has characteristics of both a defined benefit plan and a defined contribution plan, have the appropriate disclosures been made?
 [GASB 5, par. 45 (GASB Cod. Sec. P20.133)]
2. If the substance of the plan is to provide a defined benefit in some form, have disclosures been made in accordance with Section IA-II?
 [GASB 5, par. 45 (GASB Cod. Sec. P20.133)]
3. Do notes to separately issued financial statements for defined contribution pension plans include the following information:

a. Plan Description

- (1). Identification of the PERS as the administrator of a single-employer or multi-employer defined contribution plan, and the reporting entity, if any, of which it is a component unit; also, number and types of contributing employers and nonemployer contributors?
- (2). Types of employees covered and current membership?
- (3). A brief statement about plan provisions, including the authority under which those provisions are determined, and employee eligibility requirements, including eligibility for vesting?

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

b. Summary of Significant Accounting Policies and Plan Asset Matters.

(1). Significant accounting policies including basis of accounting, method used to value assets for balance sheet purposes, and, if assets are valued at cost, the method used to account for exchanges or "swaps" of securities? If assets are valued for balance sheet purposes at other than market, disclosure of market value? (Also, disclosure of the effects on the amount of net assets available for benefits of any changes in accounting policies during the year?)

(2). Investments (other than U.S. government and U.S. government-guaranteed obligations) in any one organization that represents 5 percent or more of net assets available for benefits?

(3). Investments in, loans to, or leases with any PERS official, governmental employer official, party related to a PERS official or governmental employer official, nonemployer contributor, or organization included in the reporting entity of any participating employer? (Loans to employees from their own contributions, permitted by the terms of the plan, should not be listed.)
[GASB 5, par. 46 (GASB Cod. Sec. Pe6.137)]

4. Do employers disclose in the notes to financial statements the following information for each defined contribution plan to which they contribute, whether administered by a PERS, insurance company, or other organization:

[These disclosures are also required to be

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By Date W/P
 Ref.

made by nonemployer contributors, as discussed in GASB 5, par. 12 (GASB Cod. Sec. P20.121). Employers that are not legally responsible for making contributions to a defined contribution plan but whose employees are covered by a plan because of contributions made by another entity, as described in GASB 5, par. 11 (GASB Cod. Sec. P20.120), should make the disclosures required by GASB 5, par. 41 (GASB Cod. Sec. P20.129). [GASB 5, footnote 18 (GASB Cod. Sec. P20.134, footnote 18)]

- | | | | | |
|----|---|-------|-------|-------|
| a. | Identification of the plan to which contributions are made as a defined contribution plan? | _____ | _____ | _____ |
| b. | Amount of the employer's current-year covered payroll and its total current-year payroll for all employees? | _____ | _____ | _____ |
| c. | Employer and employee obligations to contribute and the authority under which those obligations are established; also, a brief statement about plan provisions and employee eligibility requirements, including types of employees covered and eligibility for vesting? | _____ | _____ | _____ |
| d. | Contribution requirements and the contributions actually made by the employer and employees, expressed both in dollar amounts and as percentages of the employer's current-year covered payroll; also the effects of any current-year changes in plan provisions? | _____ | _____ | _____ |
| e. | The amounts and types of securities, if any, of the employer and related parties included in plan assets, including loans to the employer (whether in the form of notes, bonds, or other instruments)?
[GASB 5, par. 47 (GASB Cod. Sec. P20.134)] | _____ | _____ | _____ |

II. .02 Deferred Compensation Plan

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Deferred Compensation Plans Under Internal Revenue Code Section 457

Are IRC Section 457 deferred compensation balances displayed in an agency fund?
 [GASB 2, par. 9 (GASB Cod. Sec. D25.109)]

A. Is the following information disclosed for deferred compensation plans under Internal Revenue Code Section 457:

1. The plan assets remain the property of the employer until paid or made available to participants, subject only to claims of the employer's general creditors?
 [GASB 2, par. 13 (GASB Cod. Sec. D25.113)]

2. The governmental unit's fiduciary responsibility, including uses of plan assets for purposes other than paying benefits?
 [GASB 2, par. 13 (GASB Cod. Sec. D25.113)]

3. If the plan is a multiple-jurisdiction plan, the portion of the assets in the fund which the administering governmental entity has legal access, as distinguished from the assets held for other participating governmental employees?
 [GASB 2, par. 13 (GASB Cod. Sec. D25.113)]

III. .03 Special Assessments

Effective for financial statements for periods beginning after June 15, 1987, have the following recommended disclosures been made:

A. If the government is obligated in some manner for special assessment debt, do the notes to financial statements disclose the information required in GASB 1, Sec. 2300 "Notes to Financial Statements," as it applies to long term debt?
 [GASB 6, par. 20 (GASB Cod. Sec. S40.120)]

B. Do the notes identify and describe any guarantee, reserve or sinking fund established

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to cover defaults by property owners?
[GASB 6, par. 20 (GASB Cod. Sec. S40.120)]

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C. Do the notes disclose the amount of special assessment receivables that are delinquent if not separately displayed on the face of the financial statements?
[GASB 6, par. 20 (GASB Cod. Sec. S40.120)]

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D. If the government is not obligated in any manner for special assessment debt, do the notes disclose the amount of the debt and the fact that the government is in no way liable for repayment but is only acting as agent for the property owners in collecting the assessments, forwarding the collections to bondholders, and initiating foreclosure proceedings, if appropriate?
[GASB 6, par. 21 (GASB Cod. Sec. S40.121)]

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E. If earlier application was elected for GASB No. 6, were the accounting changes adopted to conform to the provisions of this statement applied retroactively if practicable, and were the financial statements for all prior periods presented restated?
[GASB 6, par. 27 (GASB Cod. Sec. Appendix C)]

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F. For the year in which Statement No. 6 is first applied, have the following disclosures been made:

1. The nature of the restatement and its effects?

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2. The reason for not restating any prior periods presented?

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

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IV. .04 Investments

A. Investments Accounted for by the Equity Method and Joint Ventures

1. Have the following disclosures applicable to the equity method of accounting for investments in common stock been made:

	Done By	Date	W/P Ref.
a. The name of each investee and percentage of ownership or other manifestation of significant influence?	_____	_____	_____
b. Accounting policies of the client relative to equity method investments?	_____	_____	_____
c. Difference, if any, between the amount at which the investment is carried and the amount of underlying equity in net assets and the accounting treatment of the difference?	_____	_____	_____
d. The aggregate market value of each identified investment for which a market value is available?	_____	_____	_____
e. When investments in unconsolidated subsidiaries or joint ventures are in the aggregate material in relation to financial position or results of operations, has summarized information as to assets, liabilities, and results of operations been presented in the notes or have separate statements been presented for such subsidiaries or joint ventures, either individually or in groups, as appropriate? [APB 18, par. 20 (AC I82.110)]	_____	_____	_____
f. Are equity method investments shown in the balance sheet as a single amount, and the client's share of operating results of the investee shown in the operating statement as a single amount, except for extraordinary items, prior-period adjustments, etc. [APB 18, par. 19c and d (AC I82.109c and d)]	_____	_____	_____
2. If an investment in a joint venture does not meet the criteria for inclusion within the reporting entity (refer to GASB Cod. Sec. 2100.108 - .112), was the equity method used? [GASB 1, Sec. J50.102 (GASB Cod. Sec. J50.102)] Were the following disclosures made in addition to disclosures required in Section IVA shown above?			

	Done By	Date	W/P Ref.
a. A general description of each joint venture, including:			
(1). Identifying the participants and their percentage shares?	_____	_____	_____
(2). Describing the arrangements for selecting the governing body or management?	_____	_____	_____
(3). Disclosing the degree of control the participants have over budgeting and financing?	_____	_____	_____
b. Condensed or summary financial information on each joint venture including:			
(1). Balance sheet date?	_____	_____	_____
(2). Total assets, liabilities, and equity?	_____	_____	_____
(3). Total revenues expenditures/expenses, other financing sources (uses), and net increase (decrease) in fund balance/retained earnings?	_____	_____	_____
(4). Reporting entity's share of assets, liabilities, equity, and changes therein during the year, if known?	_____	_____	_____
c. Joint venture debt, both current and long-term, and the security for the debt. [GASB 1, Sec. J50.103 (GASB Cod. Sec. J50.103)]	_____	_____	_____

Appendix

PENSION PLANS

.01 In September 1986 GASB 4, par. 10 (GASB Cod. Sec. P20.106) indicated that state and local governmental employers should not change their accounting and financial reporting of pension activities as a result of FASB Statement No. 87, Employers Accounting for Pensions.

.02 According to GASB 4, paragraph 4, the following pronouncements are considered by the Board as sources of acceptable accounting and reporting principles for PERS and state and local government employers (the order shown does not indicate preference):

1. NCGA Statement 1, Governmental Accounting and Financial Reporting Principles.*
2. NCGA Statement 6.
3. FASB Statement 35.

.03 The above three sources were to provide interim guidance pending issuance by the Board of a statement on pension accounting and financial reporting.

* Amendment to NCGA Statement 1 (GASB Stat. No. 4, par. 11) Footnote 8 of NCGA Statement 1 (Cod. Sec. Pe5.134, footnote 3) is superseded and replaced with the following:

Proprietary fund employers that account for pension activities in accordance with NCGA Statement 1 should recognize pension plan expenses and liabilities and make appropriate disclosures in conformity with APB Opinion No. 8, "Accounting for the Cost of Pension Plans," as amended by FASB Statement No. 36, "Disclosure of Pension Information" (if the required information is available), and by FASB Statement No. 74, "Accounting for Special Termination Benefits Paid to Employees." Footnote 4 to paragraph 8 of FASB Statement 36 provides that if the information required to be disclosed by that Statement is not available, the employer should disclose the reasons why that information is not available and should continue to comply with the disclosure requirements of APB Opinion No. 8.

EFFECTIVE DATE AND TRANSITION

The provisions of this Statement are effective on issuance.
[GASB 4, par. 12 (GASB Cod. Sec. Appendix C)]

A. .04 PENSION PLANS--DEFINED BENEFIT -
PERS reporting in accordance with FASB 36

(The related pension assets and obligations of the Plan may be reported in fiduciary fund types as "pension trust funds." See the section on public employee retirement system (PERS) disclosures on page 96 for disclosures if plan statements are included in the GPFS.)

1. In addition to the disclosure requirements of GASB 5, see Section I -- "Other Disclosures", if the PERS are reporting in accordance with FASB 36 (AC P15), are each of the following items included in the information disclosed about the governmental unit's pension plans: [Note: Disclosures required by GASB 5, see Section I, should not be repeated to satisfy SFAS 36 requirements.]

a. A statement that such plans exists, identifying or describing the employee groups covered?

b. The governmental unit's accounting and funding policies?

c. The provision for pension cost for each period presented?

d. The nature and effect of significant matters affecting comparability for all periods presented?

[SFAS 36, par. 7 (AC P15.130)]

2. Are the following disclosed for each complete set of financial statements as of the most recent benefit information date:

a. Actuarial present value of vested accumulated plan benefits?

b. Actuarial present value of nonvested accumulated plan benefits?

c. Plan's net assets available for benefits?

Yes No N/A

d. Assumed rates of return used in determining actuarial present value of vested and nonvested accumulated plan benefits?

e. Date as of which the benefit information was determined?
[SFAS 36, par. 8 (AC P15.131)]

3. If 2 (a) through (e) were not available, is the amount, if any, of excess of the actuarially computed value of vested benefits over the total of the pension fund and any balance sheet pension accruals, less any pension prepayments or deferred charges, disclosed, and the reasons why (a) through (e) were not provided?
[SFAS 36, par. 8 (AC P15.131)]

4. Are accrued or prepaid pension costs reflecting the difference between amounts charged against operations and amounts paid, if any, shown in the balance sheet?
[APB 8, par. 18 (AC P15.111)]

B. .05 PENSION PLANS--DEFINED CONTRIBUTION
PERS reporting in accordance with FASB 36

1. In addition to the disclosure requirements of GASB 5, see Section IJ, if the PERS is reporting in accordance with SFAS 36 (AC P15), are each of the following items included in the information disclosed about the governmental unit's defined contribution plan:

a. A statement that a plan exists, identifying or describing the employee groups covered?

b. The governmental unit's accounting and funding policies?

c. The provision for pension cost for each period presented?

d. The nature and effect of significant matters affecting comparability for all periods presented?
[SFAS 36, par. 7 (AC P15.130)]

Yes No N/A

[Note: Disclosures required by GASB 5, see Section I, should not be repeated to satisfy SFAS 36 requirements.]

FSP Section 3700

Illustrative Combined Financial Statements

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

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

.02 GASB Cod. Sec. 2200.113 states that combined financial statements of fund types and account groups may have a total column that aggregates the columnar statements by fund type and account group. If a total column is shown, it should be captioned "Memorandum Only" because the total column on a combined financial statement is not comparable to a consolidation. A note to the financial statements should disclose the nature of the column and should explain that it does not present consolidated financial information.

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

Year Ended December 31, 19X2

	Governmental Fund Types			Fiduciary Fund Type Expendable Trust	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service		Capital Projects	19X2
Revenue:						
Taxes and special assessments	\$ XXX,XXX	\$ XXX,XXX	\$XX,XXX	\$ —	\$X,XXX,XXX	\$X,XXX,XXX
Licenses and permits	XXX,XXX	—	—	—	XXX,XXX	XX,XXX
Intergovernmental	XXX,XXX	XXX,XXX	XX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX
Charges for services	XX,XXX	XX,XXX	—	—	XX,XXX	XX,XXX
Fines and forfeits	XX,XXX	—	—	—	XX,XXX	XX,XXX
Miscellaneous	XX,XXX	XX,XXX	X,XXX	X,XXX	XX,XXX	XX,XXX
Total revenues	X,XXX,XXX	X,XXX,XXX	XX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX
Expenditures:						
General government	XXX,XXX	—	—	—	XXX,XXX	XXX,XXX
Public safety	XXX,XXX	XXX,XXX	—	—	XXX,XXX	XXX,XXX
Highways and streets	XX,XXX	XXX,XXX	—	—	XXX,XXX	XXX,XXX
Sanitation	XX,XXX	—	—	—	XX,XXX	XX,XXX
Health	XX,XXX	—	—	—	XX,XXX	XX,XXX
Welfare	XX,XXX	—	—	—	XX,XXX	XX,XXX
Culture and recreation	XX,XXX	—	—	—	XX,XXX	XX,XXX
Education	XX,XXX	XXX,XXX	—	—	XX,XXX	XX,XXX
Capital projects	XXX,XXX	—	—	X,XXX,XXX	XXX,XXX	XXX,XXX
Debt service:	—	—	—	—	X,XXX,XXX	X,XXX,XXX
Principal retirement	—	—	XX,XXX	—	XX,XXX	XX,XXX
Interest and fiscal charges	—	—	XX,XXX	—	XX,XXX	XX,XXX
Total expenditures	X,XXX,XXX	X,XXX,XXX	XX,XXX	X,XXX,XXX	X,XXX,XXX	X,XXX,XXX
Excess (deficiency) of revenues over expenditures	XXX,XXX	XX,XXX	X,XXX	(XXX,XXX)	(XXX,XXX)	(XXX,XXX)
Other financing sources (uses):						
Proceeds of general obligation bonds	—	—	—	XXX,XXX	XXX,XXX	XXX,XXX
Operating transfers in	—	—	—	XX,XXX	XX,XXX	XX,XXX
Operating transfers out	(XX,XXX)	—	—	—	(XX,XXX)	(XX,XXX)
Total other financing sources (uses)	(XX,XXX)	—	—	XXX,XXX	XXX,XXX	XXX,XXX
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	XX,XXX	XX,XXX	X,XXX	XXX,XXX	XXX,XXX	(XXX,XXX)
Fund balance at beginning of year	XXX,XXX	XXX,XXX	X,XXX	XX,XXX	XXX,XXX	X,XXX,XXX
Increase in reserve for inventory	X,XXX	—	—	—	X,XXX	—
Fund balance at end of year	\$ XXX,XXX	\$ XXX,XXX	\$XX,XXX	\$ XX,XXX	\$X,XXX,XXX	\$ XXX,XXX

See accompanying notes to financial statements.

NAME OF GOVERNMENT
Illustrative Combined Statement of Revenues, Expenditures, and Changes
In Fund Balances—Budget (GAAP Basis) and Actual—
General, Special Revenue, and Capital Projects Fund Types

Year Ended December 31, 19X2

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

See accompanying notes to financial statements.

LOCAL GOVERNMENTS
NAME OF GOVERNMENT

**Illustrative Combined Statement of Revenues, Expenses and Changes in
Retained Earnings/Fund Balances—All Proprietary Fund Types
and Similar Trust Funds**

Year Ended December 31, 19X2

	Proprietary Fund Types		Fiduciary Fund Types		Total (Memorandum Only)	
	Enterprise	Internal Service	Pension Trust	Nonexpendable Trust	19X2	19X1
Operating revenues:						
Charge for services	\$ XXX,XXX	\$XX,XXX	\$ —	\$ —	\$ XXX,XXX	\$ XXX,XXX
Interest	—	—	XX,XXX	X,XXX	XX,XXX	XX,XXX
Contributions	—	—	XXX,XXX	—	XXX,XXX	XXX,XXX
Gifts	—	—	—	XX,XXX	XX,XXX	—
Total operating revenues	<u>XXX,XXX</u>	<u>XX,XXX</u>	<u>XXX,XXX</u>	<u>XX,XXX</u>	<u>XXX,XXX</u>	<u>XXX,XXX</u>
Operating expenses:						
Personal services	XXX,XXX	XX,XXX	—	—	XXX,XXX	XXX,XXX
Contractual services	XX,XXX	XXX	—	—	XX,XXX	XX,XXX
Supplies	XX,XXX	X,XXX	—	—	XX,XXX	XX,XXX
Materials	XX,XXX	XX,XXX	—	—	XX,XXX	XX,XXX
Heat, light, and power	XX,XXX	X,XXX	—	—	XX,XXX	XX,XXX
Depreciation	XXX,XXX	X,XXX	—	—	XXX,XXX	XXX,XXX
Benefit payments	—	—	XX,XXX	—	XX,XXX	XX,XXX
Refunds	—	—	XX,XXX	—	XX,XXX	XX,XXX
Total operating expenses	<u>XXX,XXX</u>	<u>XX,XXX</u>	<u>XX,XXX</u>	<u>—</u>	<u>XXX,XXX</u>	<u>XXX,XXX</u>
Operating income	<u>XXX,XXX</u>	<u>X,XXX</u>	<u>XXX,XXX</u>	<u>XX,XXX</u>	<u>XXX,XXX</u>	<u>XXX,XXX</u>
Nonoperating revenues (expenses):						
Operating grants	XX,XXX	—	—	—	XX,XXX	XX,XXX
Tap fees	XX,XXX	—	—	—	XX,XXX	XX,XXX
Interest	X,XXX	—	—	—	X,XXX	X,XXX
Rent	X,XXX	—	—	—	X,XXX	X,XXX
Interest and fiscal charges	(XX,XXX)	—	—	—	(XX,XXX)	(XXX,XXX)
Total nonoperating revenues (expenses)	<u>X,XXX</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>X,XXX</u>	<u>(XX,XXX)</u>
Income before operating transfers	<u>XXX,XXX</u>	<u>X,XXX</u>	<u>XXX,XXX</u>	<u>XX,XXX</u>	<u>XXX,XXX</u>	<u>XXX,XXX</u>
Operating transfers in (out)	—	—	—	(X,XXX)	(X,XXX)	(X,XXX)
Net income	<u>XXX,XXX</u>	<u>X,XXX</u>	<u>XXX,XXX</u>	<u>XX,XXX</u>	<u>XXX,XXX</u>	<u>XXX,XXX</u>
Retained earnings/fund balances at beginning of year	<u>X,XXX,XXX</u>	<u>X,XXX</u>	<u>X,XXX,XXX</u>	<u>XXX,XXX</u>	<u>X,XXX,XXX</u>	<u>X,XXX,XXX</u>
Retained earnings/fund balances at end of year	<u>\$X,XXX,XXX</u>	<u>\$ X,XXX</u>	<u>\$X,XXX,XXX</u>	<u>\$ XXX,XXX</u>	<u>\$ X,XXX,XXX</u>	<u>\$ X,XXX,XXX</u>

See accompanying notes to financial statements.

NAME OF GOVERNMENT

Illustrative Combined Statement of Cash Flows—All Proprietary Fund Types (And Similar Trust Funds)
Year Ended December 31, 19X2

	Proprietary Fund Types			Fiduciary Fund Types			Total
	Enterprise	Internal Service	Nonexpendable Trust	Pension Trust*	Nonexpendable Trust	(Memorandum Only) 19X2	
Cash flows from operating activities:							
Cash received from customers	\$ XXX,XXX	\$ XX,XXX	\$ —	\$ —	\$ —	\$ XXX,XXX	
Cash payments to suppliers for goods and services	(XXX,XXX)	(XX,XXX)	—	—	—	(XXX,XXX)	
Cash payments to employees for services	(XXX,XXX)	(XX,XXX)	—	—	—	(XXX,XXX)	
Payments in lieu of taxes	(XX,XXX)	—	(XXX,XXX)	—	—	(XXX,XXX)	
Other operating revenues	XX,XXX	—	XX,XXX	XXX,XXX	XX,XXX	XXX,XXX	
Net cash provided by operating activities	XXX,XXX	XX,XXX	XXX,XXX	XXX,XXX	(XXX,XXX)	\$ XXX,XXX	
Cash flows from noncapital financing activities:							
Net borrowings (repayments) under revolving loan agreement	\$(XX,XXX)	—	—	—	—	(XX,XXX)	
Interest paid on revolving loan	(X,XXX)	—	—	—	—	(X,XXX)	
Operating grants received	XXX,XXX	—	—	—	—	XXX,XXX	
Operating transfers-out to other funds	(XX,XXX)	—	(X,XXX)	—	—	(XX,XXX)	
Net cash provided by noncapital financing activities	X,XXX	—	(X,XXX)	—	—	X,XXX	
Cash flows from capital and related financing activities:							
Proceeds from sale of revenue bonds	\$ XXX,XXX	—	—	—	—	XXX,XXX	
Acquisition and construction of capital assets	(XXX,XXX)	(XX,XXX)	—	—	—	(XXX,XXX)	
Principal paid on revenue bond maturities and equipment contracts	(XX,XXX)	—	—	—	—	(XX,XXX)	
Interest paid on revenue bonds and equipment contracts	(XX,XXX)	—	—	—	—	(XX,XXX)	
Proceeds from sale of equipment	XX,XXX	—	—	—	—	XX,XXX	
Capital contributed by subdivider	XX,XXX	—	—	—	—	XX,XXX	
Net cash used for capital and related financing activities	(XXX,XXX)	(XX,XXX)	—	—	—	(XXX,XXX)	
Cash flows from investing activities:							
Purchase of investment securities	\$(XXX,XXX)	—	(XX,XXX)	(XXX,XXX)	(XX,XXX)	(XXX,XXX)	
Proceeds from sale and maturities of investment securities	XX,XXX	—	XX,XXX	XX,XXX	—	XX,XXX	
Interest and dividends on investments	X,XXX	—	X,XXX	X,XXX	X,XXX	X,XXX	
Net cash used in investing activities	(XX,XXX)	—	(X,XXX)	(X,XXX)	(XX,XXX)	(XX,XXX)	
Net increase (decrease) in cash and cash equivalents	(XX,XXX)	(XX,XXX)	(XX,XXX)	XXX,XXX	(XX,XXX)	(XX,XXX)	
Cash and cash equivalents at beginning of year	XXX,XXX	XX,XXX	XX,XXX	XX,XXX	(XX,XXX)	(XXX,XXX)	
Cash and cash equivalents at end of year	\$ XXX,XXX	\$ XX,XXX	\$ XXX,XXX	\$ XXX,XXX	\$ (XXX,XXX)	\$ XXX,XXX	

See accompanying notes to financial statements.

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

(continued)

Reconciliation of operating income to net cash provided by operating activities:

	Proprietary Fund Types		Fiduciary Fund Types		Total (Memorandum Only) 19X2
	Enterprise	Internal Service	Pension Trust*	Nonexpend- able Trust	
Operating income	\$ XXX,XXX	\$ X,XXX	\$ XXX,XXX	\$XX,XXX	\$ XXX,XXX
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	XXX,XXX	X,XXX			XXX,XXX
Change in assets and liabilities:					
Investments	—	—	(X,XXX)	XX,XXX	(XX,XXX)
Receivables	(XX,XXX)	(X,XXX)	X,XXX	XXX	(XX,XXX)
Due from other funds	(X,XXX)	(X,XXX)	X,XXX		XX,XXX
Inventory	XX,XXX	XX,XXX			XX,XXX
Prepaid expenses	XXX	X,XXX	X,XXX		XXX
Vouchers payable	(XX,XXX)	X,XXX			(XX,XXX)
Contracts payable	XXX,XXX				XXX,XXX
Accrued general obligation bond interest	XXX				XXX
Other accrued expenses	X,XXX			(XXX)	X,XXX
Total adjustments	XXX,XXX	X,XXX	XXX,XXX	XX,XXX	XXX,XXX
Net cash provided by operating activities:	\$ XXX,XXX	\$ X,XXX	\$ XXX,XXX	\$XX,XXX	\$ XXX,XXX

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

NAME OF GOVERNMENT

Illustrative Notes to Financial Statements

December 31, 19X2

(1) Summary of Significant Accounting Policies

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

A. Fund Types and Account Groups

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

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

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

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

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

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

B. Reporting Entity

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

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

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

Designation of management—The City Council appoints the City Manager and the Water Commissioner. The City Manager hires other members of City management and the Water Commissioner appoints a Water Commission manager who hires other members of the Water Commission management. The activities under the purview of management are within the scope of the reporting entity and management is accountable to the City Council for the activities being managed.

Ability to significantly influence operations—The City Council has the statutory authority under the provisions of the Revised Statutes to significantly influence operations. This authority includes, but is not limited to, adoption of the budget, control over all assets, including facilities and properties, short-term borrowing, signing contracts, and developing the programs to be provided.

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

C. Basis of accounting

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

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

D. Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds and Expendable Trust Funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, *are* capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

The two account groups are not "funds." They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

Noncurrent portions of long-term receivables due to governmental funds *are* reported on their balance sheets, in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered "available spendable resources," because they do not represent net current assets. Recognition of governmental fund type revenues represented by noncurrent receivables is deferred until they become current receivables. Noncurrent portions of long-term loans receivable are offset by fund balance reserve accounts.

Special reporting treatments also are applied to governmental fund inventories to indicate that they do not represent "available spendable resources," even though they are a component of net current assets. Such amounts generally are offset by fund balance reserve accounts.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Because they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They instead are reported as liabilities in the General Long-Term Debt Account Group.

All proprietary funds and Nonexpendable Trust and Pension Trust Funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

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

E. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at locations throughout the City to obtain taxpayer comments.
3. Prior to November 1, the budget is legally enacted through passage of an ordinance.
4. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Capital Projects Funds. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
6. Budgets for the General, Special Revenue, and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Budgeted amounts are as originally adopted, or as amended by the City Council on June 27, 19X2. Individual amendments were not material in relation to the original appropriations which were amended.

F. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds, and Capital Projects Funds. Encumbrances outstanding at year end are reported as reservations of fund balances because they do not constitute expenditures or liabilities.

G. Investments

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

H. Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the General and Special Revenue Funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

I. Advance to Other Funds

Noncurrent portions of long-term interfund loans receivable (reported in "Advance to" asset accounts) are equally offset by a fund balance reserve account which indicates that they do not constitute "available spendable resources" because they are not a component of net current assets. Current portions of long-term interfund loans receivable (reported in "Due from" asset accounts) are considered "available spendable resources."

J. Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts

Accumulated unpaid vacation, sick pay, and other employee benefit amounts are accrued when incurred in proprietary funds (using the accrual basis of accounting). Such amounts are *not* accrued in governmental funds (using the modified accrual basis of accounting). At December 31, 19X2, unrecorded General and Special Revenue Fund liabilities included approximately \$32,000 vacation pay, \$17,000 sick pay, and \$19,000 employee health benefits. These amounts do *not* exceed normal year's accumulations.

K. Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements to provide an understanding of changes in the City's financial position and operations. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in each of the statements because their inclusion would make the statements unduly complex and difficult to read.

L. Statement of Cash Flows

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

(2) Cash and Investments

Cash and investments stated at cost consisted of the following:

Cash	\$ (XXX,XXX)
Certificates of deposit	XX,XXX,XXX
Pooled investments	XX,XXX,XXX
Cash and investments in deferred compensation plan	X,XXX,XXX

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

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

The City may waive collateral requirements for deposits that are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC) or Savings Association Insurance Fund (SAIF).

The surplus funds of the City may be invested in any of the following list of eligible securities. This list is drawn from the approved investments contained in the [name of state] Government Code Sections 53600 et seq., limited further by the investment policy adopted by City Council.

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

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

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

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

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

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

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

	<u>Category</u>			<u>Total cost</u>	<u>Total market</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
U.S. Government Securities	\$ —	\$ XX,XXX,XXX	\$X,XXX,XXX	\$ XX,XXX,XXX	\$ XX,XXX,XXX
Bankers' Acceptances	—	X,XXX,XXX	—	X,XXX,XXX	X,XXX,XXX
Certificates of Deposit	X,XXX,XXX	XX,XXX,XXX	X,XXX,XXX	XX,XXX,XXX	XX,XXX,XXX
Corporate Term Medium Notes	—	X,XXX,XXX	—	X,XXX,XXX	X,XXX,XXX
Commercial Paper	—	XX,XXX,XXX	—	XX,XXX,XXX	XX,XXX,XXX
	\$X,XXX,XXX	\$XXX,XXX,XXX	\$X,XXX,XXX	XXX,XXX,XXX	XXX,XXX,XXX
Investment in State Treasurer's investment pool	X,XXX,XXX	X,XXX,XXX			
				\$XXX,XXX,XXX	\$XXX,XXX,XXX

Reverse Repurchase Agreement

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

(3) Property Tax

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on March 1 and payable in two installments on June 1 and September 1. The City bills and collects its own property taxes and also taxes for the County School District. Collections of the county taxes and remittance of them to the District are accounted for in the School District Tax Agency Fund. City property tax revenues are recognized when levied to the extent that they result in current receivables.

The City is permitted by the Municipal Finance Law of the state to levy taxes up to \$5.00 per \$100 of assessed valuation for general governmental services other than the payment of principal and interest on long-term debt and in unlimited amounts for the payment of principal and interest on long-term debt. The combined tax rate to finance general governmental services other than the payment of principal and interest on long-term debt for the year ended December 31, 19X2, was \$3.74 per \$100, which means that the City has a tax margin of \$1.26 per \$100 and could raise up to \$XXX,XXX additional a year from the present assessed valuation of \$XX,XXX,XXX before the limit is reached.

(4) Due from Other Governments

Amounts due from other governments include \$XXX,XXX due from the County in connection with the construction of the Civic Center, which is expected to cost \$X,XXX,XXX, with \$X,XXX,XXX to be financed through a grant from the County (\$XXX,XXX of this amount was paid during 19X8). The \$XXX,XXX still due from the County is expected to be received when the project is 50 percent complete. Construction is expected to be 50 percent complete by April 1, 19X3, and fully complete by November 1, 19X3.

(5) Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Balance Jan. 1, 19X2</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 19X2</u>
Land	\$X,XXX,XXX	\$ XX,XXX	\$ —	\$X,XXX,XXX
Buildings	X,XXX,XXX	XXX,XXX	XXX,XXX	X,XXX,XXX
Improvements other than buildings	XXX,XXX	XXX,XXX	XX,XXX	X,XXX,XXX
Equipment	XXX,XXX	XX,XXX	XX,XXX	XXX,XXX
Construction in progress	XXX,XXX	X,XXX,XXX	XXX,XXX	X,XXX,XXX
Total	<u>\$X,XXX,XXX</u>	<u>\$X,XXX,XXX</u>	<u>\$X,XXX,XXX</u>	<u>\$X,XXX,XXX</u>

Construction in progress is composed of the following:

	<u>Project authorization</u>	<u>Expended to Dec. 31, 19X2</u>	<u>Committed</u>	<u>Required future financing</u>
Civic Center	\$X,XXX,XXX	\$X,XXX,XXX	\$ XXX,XXX	None
Mill Street Bridge	XXX,XXX	XXX,XXX	XX,XXX	None
Improvement District No. 80	XXX,XXX	XXX,XXX	XX,XXX	None
Total	<u>\$X,XXX,XXX</u>	<u>\$X,XXX,XXX</u>	<u>\$X,XXX,XXX</u>	

A summary of proprietary fund type property, plant, and equipment at December 31, 19X2 follows:

	<u>Enterprise</u>	<u>Internal Service</u>
Land	\$ XXX,XXX	\$ XX,XXX
Buildings	XXX,XXX	XX,XXX
Improvements other than buildings	X,XXX,XX1	XX,XXX
Equipment	X,XXX,XXX	XX,XXX
Construction in progress	<u>XX,XXX</u>	<u>—</u>
Total	X,XXX,XXX	XXX,XXX
Less accumulated depreciation	<u>(XXX,XXX)</u>	<u>(XX,XXX)</u>
Net	<u>\$X,XXX,XXX</u>	<u>\$XXX,XXX</u>

(6) Changes in Long-Term Debt

The following is a summary of bond transactions of the City for the year ended December 31, 19X2 (in thousands of dollars):

	<u>General obligation</u>	<u>Revenue</u>	<u>Total</u>
Bonds payable at January 1, 19X2	\$X,XXX	\$X,XXX	\$X,XXX
New bonds issued:			
19X2 Civic Center	XXX	—	XXX
19X2 Richard Craddock Memorial Recreation Center	XXX	—	XXX
Bonds retired	<u>(XXX)</u>	<u>(XX)</u>	<u>(XXX)</u>
Bonds payable at December 31, 19X2	<u>\$X,XXX</u>	<u>\$X,XXX</u>	<u>\$X,XXX</u>

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

General obligation bonds:

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

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

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

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

Revenue bonds:

\$X,XXX,XXX Water and Sewer serial bonds due in annual installments of \$XX,XXX to \$XX,XXX through January 1, 19Z2; interest at 3½ percent \$X,XXX

\$XXX,XXX 19W8 Water and Sewer serial bonds due in annual installments of \$XX,XXX to \$XX,XXX through January 1, 19Z2; interest at 3½ percent XXX

\$X,XXX

The annual requirements to amortize all debt outstanding as of December 31, 19X2, including interest payments of \$X,XXX,XXX, are as follows:

Annual Requirements to Amortize Long-Term Debt
December 31, 19X2
(in thousands of dollars)

<u>Year ending</u> <u>December 31</u>	<u>General</u> <u>obligation</u>	<u>Revenue</u>	<u>Total</u>
19X3	\$ XXX	\$ XXX	\$ XXX
19X4	XXX	XXX	XXX
19X5	XXX	XXX	XXX
19X6	XXX	XXX	XXX
19X7	XXX	XXX	XXX
19X8-Y2	X,XXX	XXX	X,XXX
19Y3-Y7	XXX	XXX	X,XXX
19Y8-Z2	XXX	XXX	XXX
	<u>\$X,XXX</u>	<u>\$X,XXX</u>	<u>\$X,XXX</u>

\$12,572 is available in the Debt Service Funds to serve the general obligation bonds.

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

(7) Other Required Individual Fund Disclosures

Generally accepted accounting principles require disclosure, as part of the Combined Statements—Overview, of certain information concerning individual funds including:

- A. Segment information for certain individual Enterprise Funds. This requirement is effectively met in this report by The Combined Balance Sheet—All Fund Types and Account Groups, The Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Balances—All Proprietary Fund Types and Similar Trust Funds and the Combined Statement of Changes in Financial Position—All Proprietary Fund Types and Similar Trust Funds because the City maintains only one Enterprise Fund.
- B. Summary disclosures of debt service requirements to maturity for all types of outstanding debt. This requirement is met by Note 6.
- C. Summary disclosures of changes in general fixed assets by major asset class. This requirement is met by Note 5.
- D. Summary disclosures of changes in general long-term debt. This requirement is met by Note 6.
- E. Excess of expenditures over appropriations in individual funds. Civic Center Capital Projects Fund expenditures of \$X,XXX,XXX exceeded appropriations of \$X,XXX,XXX. Mill Street Bridge Capital Projects Fund expenditures of \$XX,XXX exceeded appropriations of \$XX,XXX.
- F. Individual fund interfund receivable and payable balances. Such balances at December 31, 19X2 were:

<u>Fund</u>	<u>Interfund</u> <u>Receivables</u>	<u>Interfund</u> <u>Payables</u>
General Fund	\$XX,XXX	\$XX,XXX
Special Revenue Fund: Parks Fund		X,XXX
Capital Projects Fund: Mill Street Bridge Fund		X,XXX
Enterprise Fund: Water and Sewer Fund	X,XXX	
Internal Service Fund: Central Garage Fund	XX,XXX	XX,XXX
Pension Trust Fund: Employees' Retirement System	XX,XXX	
Expendable Trust Fund: Endowment Revenues Fund	X,XXX	
	<u>\$XX,XXX</u>	<u>\$XX,XXX</u>

(8) Pension Plans

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

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

A. Municipal Pension Plan

- (1) **PLAN DESCRIPTION**—The City is required by the Home Rule Charter to maintain an actuarially sound pension and retirement system (PERS), as a single employer plan, covering all officers and employees of the City, and the officers and employees of certain other governmental and quasi-governmental organizations. Court decisions have interpreted this requirement to mean that the City must make contributions to the Municipal Pension Fund sufficient to fund:
 - (a) Accrued normal costs, which are actuarially computed amounts necessary to be contributed to the pension fund to provide, in the future, the pension and survivor benefits earned by the work force during the year.
 - (b) Amortization in level installments (which include interest) over periods of 20 and 40 years, of certain unfunded prior service costs as ordered by the Court of Common Pleas of the County in two class action suits brought by pension fund beneficiaries.
 - (c) Interest on the remaining unfunded accrued liability of the pension plans.

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

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

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

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

- (a) Uniformed Personnel (Police and Fire) who retire at or after age 45 are eligible to receive a service pension equal to 2½% of the employee's average final compensation multiplied by his years of credited service, subject to a maximum of 100% of average final compensation.

- (b) Municipal employees who retire at or after age 55 are eligible to receive a service pension equal to the sum of: 2½% of the employee's average final compensation multiplied by his years of credited service to a maximum of 20 years; plus 2% of the employee's average final compensation multiplied by his years of credited service in excess of 20; limited to 80% of the employee's average final compensation.

Average final compensation is defined as follows:

- (a) Uniformed Personnel—the highest of the total compensation received during the 12-month period that produces the highest figure; or the annual base rate of pay, excluding longevity payments, calculated from the final pay period; or the arithmetic average of the total compensation received during the five calendar years of employment that produces the highest average.
- (b) Municipal Employees represented by the American Federation of State, County and Municipal Employee Union (AFSCME) and certain court employees—the arithmetic average of the total compensation received during the three calendar or anniversary years that produces the highest average.
- (c) Elected and appointed officials and other positions not represented by a union—the arithmetic average of the total compensation received during the three calendar or anniversary years that produces the highest average.

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

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

- (a) Basis of Accounting—Pension Plan financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed.
- (b) Method Used to Value Investments—Pension Plan securities are reported at cost; investment income is recognized as earned. Gains and losses on sales and exchanges of fixed-income securities are recognized on the transaction date. The market value of Pension Fund investments held at December 31, 19X2 totalled \$X,XXX.X million.

(3) FUNDING STATUS AND PROGRESS

The amount shown below as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the Pension Plan's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS and is independent of the actuarial funding method used to determine contributions to the PERS.

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

At January 1, 19X1, the unfunded pension benefit obligation was \$X,XXX.X million, as follows:

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

(4) CONTRIBUTION REQUIRED AND CONTRIBUTIONS MADE

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

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

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

(5) TEN-YEAR HISTORICAL TREND INFORMATION

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

B. School District Pension Plan

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

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

There are approximately 200,000 contributing participants in the pension program and approximately 90,400 members including beneficiaries receiving benefits.

A brief statement of the terms of the pension plan follows:

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

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

- (2) DEFERRED ALLOWANCE—A participant leaving employment before attaining retirement age but completing ten years of service may elect to vest his accumulated contributions and defer receipt of a retirement annuity until a later date.
- (3) DEATH BENEFITS—When a participant dies in active service after attaining normal retirement age and service, the beneficiary is entitled to a death benefit of the present value of the normal retirement allowance computed in (1) above. If a participant dies before attaining normal retirement age but after ten years of credited service, the beneficiary is entitled to a death benefit as indicated above but reduced by an early retirement factor provided by PSERS.
- (4) DISABILITY BENEFITS—After five years of credited service a participant who becomes disabled and meets the PSERS medical standards is eligible for an annuity which equals 2% of the highest three years earnings multiplied by the number of years of credited service. The disability determination is subject to periodic review.

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

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

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

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

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

	(Amounts in Billions)
Total Pension Benefit Obligations	\$XX.X
Net Assets Available for Pension Benefits, At Market	X.X
Unfunded Pension Benefit Obligation	\$ X.X

The measurement of the total pension benefit obligation is based on an actuarial valuation as of December 31, 19X1. Net assets available to pay pension benefits were valued as of the same date.

The School District's 19X2 required contribution to the State PERS represents 9.95% of the total current-year actuarially determined contribution requirements for all employers covered by the pension plan.

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

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

(9) Deferred Compensation Plan

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

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

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

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

(10) Intergovernmental Revenues—Debt Service Funds

Under the provisions of state law, the state reimburses the City for a portion of the financing costs of various approved projects. Payments totaling \$XXX,XXX have been made through December 31, 19X2 including \$XX,XXX in 19X2 for projects financed by the proceeds of the 19V5 Street, Bridge and Drainage Improvement bonds. These amounts must be used to abate a portion of the tax levied for principal and interest payments due on the approved project bonds. These reimbursements represent approximately 45 percent of the debt service on the 19V5 Street, Bridge and Drainage Improvement bonds and are expected to average approximately \$XX,XXX annually until the bonds mature.

(11) Litigation

The City Council and the City are defendants in litigation seeking damages of \$XXX,XXX for violation of civil rights in a zoning decision. The suit alleges that the defendants conspired to down-zone property and refused to accept an application for a building permit by the plaintiff resulting in a violation of his civil rights. Outside counsel for the City is of the opinion that the defendants will prevail.

There are several other pending lawsuits in which the City is involved. The City Attorney estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial statements of the City.

(12) Commitments

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

	<u>Facilities</u>	<u>Equipment</u>	<u>Total</u>
19X3	\$ XX,XXX	\$ XX,XXX	\$ XX,XXX
19X4	XX,XXX	XX,XXX	XX,XXX
19X5	XX,XXX	XX,XXX	XX,XXX
19X6	XX,XXX	XX,XXX	XX,XXX
19X7	XX,XXX	XX,XXX	XX,XXX
Thereafter	XXX,XXX	—	XXX,XXX
Total	<u>\$XXX,XXX</u>	<u>\$XXX,XXX</u>	<u>\$XXX,XXX</u>

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

(13) Contingent Liabilities

The City participates in a number of federally assisted grant programs, principal of which are the General Revenue Sharing, Community Development Block Grant, Comprehensive Employment Training Act, and Local Public Works programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs for or including the year ended December 31, 19X2 have not yet been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

(14) Subsequent Event

On February 13, 19X3, the City Council was officially notified that its application for a construction grant from the Environmental Protection Agency (EPA) was approved. Under the grant, the City is to construct a wastewater treatment plant at a total cost of approximately \$X,XXX,XXX. EPA will finance 75 percent of the total cost, approximately \$X,XXX,XXX, with the City financing the balance of \$XXX,XXX by issuing water and sewer revenue bonds. Construction is expected to commence in late 19X3 with completion currently scheduled for mid-19X5.

**Unqualified Opinion on General Purpose or
Component Unit Financial Statements Submitted
Together With Combining and Individual Fund and
Account Group Financial Statements and Supporting
Schedules as Supplementary Data***

INDEPENDENT AUDITOR'S REPORT

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

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

In our opinion, the general purpose** financial statements referred to above present fairly, in all material respects, the financial position of City of Example, Any State, as of December 31, 19X2, and the results of its operations and cash flows of its proprietary and similar trust fund types for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose** financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose** financial statements of City of Example, Any State. Such information has been subjected to the auditing procedures applied in the audit of the general purpose** financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose** financial statements taken as a whole.

[Signature]

[Date]

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

**If the financial statements are for a component unit, the term *general purpose financial statements* should not be used. In the case of a component unit other than the oversight unit, the term *component unit financial statements* or just *financial statements* should be used.

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

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

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

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

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

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

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

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

[Fifth paragraph, signature, and date are the same as in the report illustrated above.]

The results of our tests indicate that, with respect to the items tested, City of Example, Any State, complied, in all material respects, with the provisions referred to in the preceding paragraph. ** With respect to items not tested, nothing came to our attention that caused us to believe that the City had not complied, in all material respects, with those provisions.

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

[Signature]

[Date]

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

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

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

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

We considered these material instances of noncompliance in forming our opinion on whether the 19XX general purpose financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect our report dated March 15, 19X3 on those general purpose financial statements. Except as described above, the results of our tests of compliance indicate that, with respect to the items tested, City of Example, Any State, complied, in all material respects, with the provisions referred to in the third paragraph of this report, and with respect to items not tested, nothing came to our attention that caused us to believe that the City had not complied, in all material respects, with those provisions.

[Last paragraph, signature, and date are the same as in the above report.]

Report on the Internal Control Structure in Accordance With Government Auditing Standards

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

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

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

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

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

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.*

[Include paragraphs to describe the reportable conditions noted.]

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

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

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

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

[Signature]

[Date]

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

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

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

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

[Last paragraph of the report is the same as that illustrated in the above example.]

Single Audit Opinion on Compliance With Specific Requirements Applicable to Major Federal Financial Assistance Programs

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

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

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

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

[Signature]

[Date]

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

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

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

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

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

[Signature]

[Date]

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

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

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

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

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

[Signature]

[Date]

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

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

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

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

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

Cycles of the Entities' Activity

- Treasury or financing
- Revenue/receipts
- Purchases/disbursements
- External financial reporting

Financial Statement Captions

- Cash and cash equivalents
- Receivables
- Inventory
- Property and equipment
- Payables and accrued liabilities
- Debt
- Fund balance

Accounting Applications

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

(continued)

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

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

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

Controls Used in Administering Federal Programs

Following are general and specific administrative control categories identified by representatives of the federal government (refer to chapter 22 of *Audits of State and Local Governmental Units*).

General Requirements

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

Specific Requirements

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

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

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

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

Our study and evaluation was more limited than would be necessary to express an opinion on the internal control systems used in administering the federal financial assistance programs of City of Example, Any State. Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance programs of City of Example, Any State. Further, we do not express an opinion on the internal control systems used in administering the major federal financial assistance programs of City of Example, Any State.

Also, our audit, made in accordance with the standards mentioned above, would not necessarily disclose material weaknesses in the internal control systems used solely in administering nonmajor federal financial assistance programs.

Our study and evaluation was more limited than would be necessary to express an opinion on the internal control systems used in administering the federal financial assistance programs of City of Example, Any State. Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance programs of City of Example, Any State. Further, we do not express an opinion on the internal control systems used in administering the major federal financial assistance programs of City of Example, Any State.

Also, our audit, made in accordance with the standards mentioned above, would not necessarily disclose material weaknesses in the internal control systems for which our study and evaluation was limited to a preliminary review of the systems as discussed in the fifth paragraph of this report.

If the government had no major federal financial assistance programs during the year under examination, the auditor should apply the guidance in chapter 21 of *Audits of State and Local Governmental Units* in order to satisfy the objectives of the Single Audit Act. When such guidance is applied, the fourth through seventh paragraphs of the auditor's report on internal controls used to administer federal financial assistance programs should be modified as follows:

Our study included all of the applicable control categories listed above. During the year ended December 31, 19X2, City of Example, Any State, had no major federal financial assistance programs and expended X percent of its total federal financial assistance under the following nonmajor federal financial assistance programs: *[list appropriate nonmajor federal financial assistance programs]*. With respect to internal control systems used in administering these nonmajor federal financial assistance programs, our study and evaluation included considering the types of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weaknesses.

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

Our study and evaluation was more limited than would be necessary to express an opinion on the internal control systems used in administering the federal financial assistance programs of City of Example, Any State. Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance programs of City of Example, Any State.

Also, our audit, made in accordance with the standards mentioned above, would not necessarily disclose material weaknesses in the internal control systems, for which our study and evaluation was limited to a preliminary review of the systems, as discussed in the fifth paragraph of this report.

However, our study and evaluation and our audit disclosed the following conditions that we believe result in more than a relatively low risk that errors or irregularities in amounts that would be material to a federal financial assistance program may occur and not be detected within a timely period. *** (A description of the conditions that have come to the auditor's attention would follow; if the study and evaluation and the audit disclose no material weaknesses in relation to a federal financial assistance program, this sentence should state, "However, our study and evaluation and our audit disclosed no condition that we believe to be a material weakness in relation to a federal financial assistance program of City of Example, Any State," and the following paragraph should be omitted.)

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

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

[Signature]

[Date]

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

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

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

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

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