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Checklists and illustrative financial statements for state and local governmental units : a financial reporting practice aid, June 2004 edition

American Institute of Certified Public Accountants. Accounting and Auditing Publications

Venita M. Wood

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June 2004 Edition

CHECKLISTS AND ILLUSTRATIVE FINANCIAL STATEMENTS FOR STATE AND LOCAL GOVERNMENTS

*A Financial Accounting and
Reporting Practice Aid*

Prepared By
Venita M. Wood, CPA, CGFM

Edited By
Renee Rampulla, CPA

Technical Manager,
Accounting and Auditing Publications

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AICPA

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*Checklists and Illustrative Financial Statements
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or the Financial Accounting Standards Board
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AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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FSP Section 13,000

Checklists and Illustrative Financial Statements for State and Local Governments

Introduction

.01 This publication includes the following information, extracted from sections 13,000 through 13,400 of the *Financial Statement Preparation Manual* (FSP):

- **Financial Statements and Notes Checklist (FSP section 13,100)**—This checklist can be used by preparers of governmental financial statements prepared in conformity with generally accepted accounting principles (GAAP) and by practitioners who audit, review, or compile those financial statements as they evaluate the adequacy of disclosures made in the basic financial statements, notes to the financial statements, and required supplementary information (RSI).
- **Auditors' Reports Checklist (FSP section 13,200)**—This checklist can be used by auditors in reporting on audits of financial statements in accordance with generally accepted auditing standards (GAAS).
- **Auditors' Reports on Audits Performed Under *Government Auditing Standards* and OMB Circular A-133 Checklist (FSP section 13,300)**—This checklist can be used by auditors in reporting on financial audits of financial statements in accordance with the Government Accountability Office's* (GAO's) *Government Auditing Standards* (also referred to as the Yellow Book), issued by the Comptroller General of the United States, and on audits performed under the Single Audit Act Amendments of 1996 and Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.
- **References to Illustrative Financial Statements (FSP section 13,400)**—This section refers users to the various Governmental Accounting Standards Board (GASB) publications that illustrate the basic financial statements, notes to the financial statements, and RSI.

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

- Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 150, *Accounting for Certain Financial Instruments With Characteristics of Both Liabilities and Equity*, and Revised SFASs issued through May 2004, including:
 - FASB Statement No. 132 (revised 2003), *Employers' Disclosures About Pensions and Other Postretirement Benefits*
 - FASB Interpretation (FASBI) No. 46 (revised December 2003), *Consolidation of Variable Interest Entities*
 - FASB Technical Bulletin (FTB) No. 01-1, *Effective Date for Certain Financial Institutions of Certain Provisions of Statement 140 Related to the Isolation of Transferred Financial Assets*

* In July 2004 the GAO Human Capital Reform Act of 2004 (Public Law 108-271-075) redesignated the General Accounting Office to the Government Accountability Office.

- Governmental Accounting Standards Board (GASB) Statement No. 44, *Economic Condition Reporting: The Statistical Section*
- GASB Interpretation (GASBI) No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*
- GASB Technical Bulletin (GTB) 04-1, *Tobacco Settlement Recognition and Financial Reporting Entity Issues*
- GASB staff's *Comprehensive Implementation Guide—2003*
- 2003 revision to *Government Auditing Standards*
- OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as revised on June 27, 2003
- AICPA Statement on Auditing Standards (SAS) No. 101, *Auditing Fair Value Measurements and Disclosures*
- Auditing Interpretations No. 17 and No. 18 of SAS No. 58, *Reports on Audited Financial Statements*, as amended, titled "Clarification in the Audit Report of the Extent of Testing of Internal Control Over Financial Reporting in Accordance With Generally Accepted Auditing Standards," and "Reference to PCAOB Standards in an Audit Report on a Nonissuer," respectively
- AICPA Statement of Position (SOP) 03-5, *Financial Highlights of Separate Accounts: An Amendment to the Audit and Accounting Guide Audits of Investment Companies*
- AICPA Audit and Accounting Guide *State and Local Governments* (with conforming changes as of May 1, 2004)
- AICPA Audit Guide *Government Auditing Standards and Circular A-133 Audits* (with conforming changes as of May 1, 2004)

.03 The AICPA Accounting and Auditing Publications Staff has prepared these checklists as practice aids for preparers and auditors to use for the financial statements of and federal financial assistance received by state and local governments. The Audit and Accounting Guide *State and Local Governments* defines those entities that are state and local governments. This publication is an *Other Auditing Publication* as defined in SAS No. 95, *Generally Accepted Auditing Standards* (AICPA, *Professional Standards*, vol. 1, AU sec. 150), as amended. Other Auditing Publications have no authoritative status; however, they may help the auditor understand and apply SASs.

- The financial statements and notes checklist includes disclosures—whether in the basic financial statements, the notes to the financial statements, or RSI—that preparers and auditors should consider in governmental financial statements prepared in accordance with GAAP.¹ The provisions of accounting and financial reporting standards, including disclosure provisions, need not be applied to immaterial items. The checklist does not include recognition and measurement issues relating to preparing governmental financial statements. It also does not address additional disclosures applicable only to supplementary information other than RSI that accompanies a government's basic financial statements (for example, in a Comprehensive Annual Financial Report [CAFR]),² specialized disclosure requirements for governmental health care organizations and public entity risk pools contained in the Audit and Accounting Guides *Health Care Organizations* and *Property and Liability Insurance Companies*, or disclosures required by pronouncements that are deemed remote for

¹ SAS No. 69, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles* (AICPA, *Professional Standards*, vol. 1, AU sec. 411.12 and .13), as amended, contains the hierarchy of GAAP for state and local governments. This publication is *Other Accounting Literature* under that hierarchy.

² For example, the financial statements and notes checklist does not address the provisions of GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*, which establishes and modifies requirements for the supplementary information presented in a statistical section that accompanies the basic financial statements.

governmental financial statements. The items (including Appendix A) in the checklist that are derived solely from private-sector standards (such as those promulgated by the FASB and the Accounting Principles Board [APB]) may have limited applicability for governmental financial statements. To determine the applicability of private-sector pronouncements to governmental financial statements, see SAS No. 69, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles* (AICPA, *Professional Standards*, vol. 1, AU sec. 411), as amended, and GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended by GASB Statements No. 29, *The Use of Not-for-Profit Accounting and Financial Reporting Principles by Governmental Entities*, and No. 34.

- The auditors' report checklist addresses those requirements most likely to be encountered when reporting on GAAS audits of governmental financial statements prepared in conformity with GAAP. It does not include reporting requirements relating to other matters, such as agreed-upon procedures.

.04 These checklists reflect the disclosure requirements of the governmental financial reporting model promulgated in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and its related pronouncements—GASB Statements No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, and No. 41, *Budgetary Comparison Schedules—Perspective Differences*, and GASB Interpretation No. 6. They also reflect the requirements of GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, some of which are related to GASB Statement No. 34, and the Audit and Accounting Guide *State and Local Governments*.

- GASB Statement No. 34 and its related pronouncements become effective in three phases depending on an entity's total annual revenues (as defined in GASB Statements No. 34 and No. 35) in the first fiscal year ending after June 15, 1999, as shown in the following chart. For all phases, earlier application is encouraged. Special transition provisions apply for component units, reporting general infrastructure assets, and certain note disclosures.

Phase	Total Annual Revenues in the First Fiscal Year Ending After June 15, 1999	Implementation Required for First Period Beginning After June 15
1	\$100 million or more	2001
2	\$10 million to \$100 million	2002
3	Less than \$10 million	2003

- The provisions of GASB Statement No. 38 become effective when the requirements of GASB Statement No. 34 are required to be implemented. However, because the provisions of GASB Statement No. 38 are not required to be implemented simultaneously with the provisions of GASB Statement No. 34, a government could early implement GASB Statement No. 34 without early implementing GASB Statement No. 38. Although the financial statements and notes checklist in this publication reflect provisions from GASB Statement No. 38, they alert the user to disclosure requirements if the entity is not yet implementing GASB Statement No. 38.
- The Audit and Accounting Guide *State and Local Governments*, which addresses auditing and reporting on financial statements prepared in conformity with the new financial reporting model, is effective for audits of financial statements for the first fiscal period ending after June 15, 2003, in which a government does apply or is required to apply the provisions of GASB Statement No. 34.

Additional guidance concerning the implementation of GASB Statement No. 34, as amended, is provided in the GASB staff's *Comprehensive Implementation Guide*, and the AICPA Practice Aids, *Understanding and Implementing GASB's New Financial Reporting Model, A Question and Answer Guide for Preparers and Auditors of State and Local Governmental Financial Statements—Revised Edition* (product no. 022516) and *Applying OCBOA in State and Local Governmental Financial Statements* (product no. 003314). Practical guidance concerning the

AICPA Audit and Accounting Guide *State and Local Governments*, is in the AICPA Practice Aid *Auditing Governmental Financial Statements: Programs and Other Practice Aids* (product no. 006602).

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

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

GASB =	Governmental Accounting Standards Board Statement
GASBI =	Governmental Accounting Standards Board Interpretation
GASB Cod. Sec. =	<i>Codification of Governmental Accounting and Financial Reporting Standards (GASB 34 Edition)</i> , by the Governmental Accounting Standards Board (as of June 30, 2003)
GTB =	Technical Bulletin issued by the staff of the GASB
Q&A =	GASB staff's <i>Comprehensive Implementation Guide</i>
NCGA =	National Council on Governmental Accounting Statement
NCGAI =	National Council on Governmental Accounting Interpretation
SFAS =	FASB Statement of Financial Accounting Standards
AC =	FASB <i>Accounting Standards—Current Text</i> (as of June 1, 2003)
FASBI =	Financial Accounting Standards Board Interpretation
APB =	Accounting Principles Board Opinion
ARB =	Accounting Research Bulletin
AAG-GSA =	AICPA Audit Guide Government Auditing Standards <i>and Circular A-133 Audits</i>
AAG-SLV =	Audit and Accounting Guide <i>State and Local Governments</i>
SAS =	AICPA Statement on Auditing Standards
AU =	Reference to section number in AICPA <i>Professional Standards</i> (vol. 1)
SOP =	AICPA Statement of Position
A-133 =	Office of Management and Budget (OMB) Circular A-133, <i>Audits of States, Local Governments, and Non-Profit Organizations</i>
GAS =	<i>Government Auditing Standards</i> (also referred to as the Yellow Book), issued by the Comptroller General of the United States

.07 The checklists provide spaces for checking off or initialing each item to indicate that it has been considered. Users should check or initial—

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

.08 Users may find it helpful to include references to the location in the financial report where each item marked “Yes” can be found. It also may be helpful to include on the checklists or elsewhere the reasons that items marked “N/A” do not apply. It is important that any items in the financial statements and notes checklist marked “No” be considered in the auditor’s report on the financial statements. A “No” response to a required disclosure that is material may warrant the issuance of a qualified or adverse opinion on the financial statements of the affected opinion unit³ or an explanatory paragraph on RSI. For each item with a “No” response, users should consider noting why the disclosure was not made (for example, because the item was not considered material to the financial statements of the affected opinion unit) and the effect on the auditor’s report.

.09 The use of these or any other checklists requires the exercise of individual professional judgment and should be used by, or under the supervision of, persons having adequate technical training and proficiency in the application of GAAP, GAAS, and other applicable standards and requirements. These checklists are not substitutes for original authoritative standards and requirements. Users of these checklists are urged to refer directly to applicable standards and requirements when appropriate. The checklists are not all-inclusive and are not intended to present minimum requirements. Users of the checklists are encouraged to tailor them as required to meet specific circumstances of each particular engagement. Users who have further questions may call the AICPA Technical Hotline at 1-888-777-7077.

Note: This publication was extracted from sections 13,000 through 13,400 of the AICPA *Financial Statement Preparation Manual* (FSP).

³ See the discussion of opinion units in chapters 4 and 14 of the Audit and Accounting Guide *State and Local Governments*.

FSP Section 13,100

Financial Statements and Notes Checklist

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

*Place ✓ by
Sections Applicable*

- General Reporting
 - A. Overview _____
 - B. Comparative Financial Information _____
 - C. Accounting Changes _____
 - D. Prior-Period Adjustments _____

- Government-Wide Financial Statements
 - A. Overview _____
 - B. Statement of Net Assets _____
 - C. Statement of Activities _____

- Fund Financial Statements
 - A. Overview _____
 - B. Governmental Funds _____
 - C. Proprietary Funds _____
 - D. Fiduciary Funds _____
 - E. Interfund Activity and Balances _____

- Assets, Liabilities, and Equity
 - A. Cash, Investments, and Investment-Related Activity _____
 - B. Nonexchange Transactions _____
 - C. Inventories _____
 - D. Capital Assets _____
 - E. Clearing Account Assets _____
 - F. Liabilities, Including Debt _____
 - G. Equity _____

- Revenues and Expenses/Expenditures
 - A. Income on Investments and Investment-Related Activity _____
 - B. Nonexchange Transactions _____
 - C. Capital Asset-Related Revenues and Expenses/Expenditures _____

- Note Disclosures
 - A. Focus of Note Disclosures _____
 - B. Summary of Significant Accounting Policies _____
 - C. Cash, Investments, and Investment-Related Activity _____
 - D. Nonexchange Transactions _____

*Place ✓ by
Sections Applicable*

- E. Capital Assets _____
- F. Liabilities, Including Debt _____
- G. Contingencies and Commitments _____
- H. Joint Costs That Include Fund Raising _____
- I. Segment Disclosures _____
- J. Subsequent Events _____
- K. Related Parties, Including Component Units _____
- L. Other Disclosures _____

- Specialized Topics
 - A. Organizational Relationships, Including Component Units and Joint Ventures _____
 - B. Derivatives _____
 - C. Escheat Property _____
 - D. Governmental External Investment Pools _____
 - E. Landfill Closure and Postclosure Care Costs _____
 - F. Leases _____
 - G. Noninterest-Bearing Receivables and Payables _____
 - H. Pension Plans _____
 - I. Pensions—Employer Reporting _____
 - J. Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans—Sponsor and Employer Reporting _____
 - K. Postemployment Benefits Other Than Pensions—Employer Reporting _____
 - L. Public Entity Risk Pools _____
 - M. Risk Financing and Related Financing Issues—Entities Other Than Risk Pools _____
 - N. Special Assessments _____

- Required Supplementary Information
 - A. Management’s Discussion and Analysis _____
 - B. Budgetary Comparison Schedules _____
 - C. Modified Approach for Eligible Infrastructure Assets _____
 - D. Pension Plans (Defined Benefit) _____
 - E. Pensions—Employer Reporting _____
 - F. Public Entity Risk Pools _____

- Appendix A: Applying Post-November 30, 1989 FASB and AICPA Pronouncements to Enterprise Funds and Business-Type Activities _____
- Appendix B: GASB 40, GASB 42, and GASB 43 _____

.02 Checklist questionnaire:

Yes No N/A

I. General Reporting

A. Overview

1. Does the entity’s financial report consist of, at a minimum, a management’s discussion and analysis (MD&A), basic financial statements (including the notes thereto), and applicable required supplementary information (RSI) other than MD&A? _____

- | | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|--|------------|-----------|------------|
| 2. Except for certain entities as discussed in Questions 3 through 5 below, do the entity's basic financial statements present both government-wide financial statements (GWFS) and fund financial statements?
[GASB 34, par. 6 (GASB Cod. Sec. 2200.102)] | _____ | _____ | _____ |
| 3. If the entity is a special-purpose government engaged in a single governmental program, has it chosen to combine the fund financial statements and the GWFS using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements rather than at the bottom of the statements or in an accompanying schedule? (Alternatively, a single-program government may present separate government-wide and fund financial statements and may present its government-wide statement of activities using a different format—for example, by presenting a single column that reports expenses first followed by revenues (by major sources), with the resulting net revenue (expense) followed by contributions to permanent and term endowments, special and extraordinary items, transfers, and beginning and ending net assets.)
[GASB 34, pars. 136 and 137 (GASB Cod. Sec. Sp20.105 and .106)] | _____ | _____ | _____ |
| 4. If the entity is a special-purpose government engaged only in business-type activities, does it present only the financial statements required for enterprise funds? (Note that entities that reported as of June 30, 1999, using SOP 78-10, <i>Accounting Principles and Reporting Practices for Certain Nonprofit Organizations</i> , or Industry Audit Guide <i>Audits of Voluntary Health and Welfare Organizations</i> , but that do not meet the criteria for reporting using enterprise funds may nevertheless choose to report as special-purpose governments engaged only in business-type activities.)
[GASB 29, par. 5, as amended by GASB 34, par. 147 (GASB Cod. Sec. Sp20.111); GASB 34, par. 138 (GASB Cod. Sec. Sp20.107)] | _____ | _____ | _____ |
| 5. If the entity is a special-purpose government engaged only in fiduciary activities, does it present only the financial statements required for fiduciary funds?
[GASB 34, par. 139 (GASB Cod. Sec. SP20.108)] | _____ | _____ | _____ |
| 6. Is each financial statement properly titled?
[Generally Accepted] | _____ | _____ | _____ |
| 7. Is each page of the basic financial statements referenced to the notes to the financial statements (and to the summary of significant accounting policies, if presented as a stand-alone summary)?
[NCGAI 6, par. 8, as amended by GASB 34, par. 6 (GASB Cod. Sec. 2300.110)] | _____ | _____ | _____ |

B. Comparative Financial Information

- | | | | |
|--|-------|-------|-------|
| 1. If comparative financial statements are presented, are the notes and other disclosures included in the financial statement of the preceding year(s) repeated, or at least referred to, to the extent that they continue to be of significance?
[ARB 43, Ch. 2A, par. 2 (AC F43.102)] | _____ | _____ | _____ |
| 2. If changes occurred in the manner of or basis for presenting corresponding items for two or more periods, are appropriate explanations of the changes disclosed?
[ARB 43, Ch. 2A, par. 3 (AC F43.103)] | _____ | _____ | _____ |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
3. If prior-period financial information is presented in a partial or summarized manner and does not include the minimum information required by GAAP, is the nature of the prior-period information described by the use of appropriate titles on the face of the financial statements and in a note to the financial statements? [AAG-SLV, par. 2.51]	_____	_____	_____
C. Accounting Changes			
1. Is the implementation of any new GASB standard reported as provided in the transition section of the standard? [Generally Accepted]	_____	_____	_____
2. Are changes in accounting principles, addressed in APB 20, <i>Accounting Changes</i> , as amended, reported as restatements of beginning net assets/fund equity, not as a separately identified cumulative effect in the current-period statement of activities or proprietary fund statement of revenues, expenses, and changes in fund net assets? [GASB 34, fn. 13 (GASB Cod. Sec. 1600, fn. 3)]	_____	_____	_____
3. For an accounting change, does disclosure in the period of the change include:			
a. Nature of the change?	_____	_____	_____
b. Justification for the change and a clear explanation of why the newly adopted principle is preferable?	_____	_____	_____
c. Amount of the change? [APB 20, pars. 17, 19, 28, and 35 (AC A06.113, .115, and .124, and AC A35.113)]	_____	_____	_____
4. Are changes in the entity's policy for determining which items are treated as cash equivalents in the statement of cash flows reported by restating financial statements for earlier years presented for comparative purposes? [GASB 9, par. 11 (GASB Cod. Sec. 2450.108)]	_____	_____	_____
5. Are the effects of changes in accounting estimates disclosed? [APB 20, pars. 31–33 (AC A06.130–.132)]	_____	_____	_____
a. Is a change to depreciation from the modified approach for eligible infrastructure assets (and visa versa) reported as a change in accounting estimate? [GASB 34, fn. 21 (GASB Cod. Sec. 1400, fn. 7); GASB 37, par. 8 (GASB Cod. Sec. 1400, fn. 6)]	_____	_____	_____
6. For accounting changes that are corrections of errors in previously issued financial statements, is the nature and effect on current-period amounts disclosed? [APB 20, par. 37 (AC A35.105)]	_____	_____	_____
D. Prior-Period Adjustments			
1. For prior-period adjustments:			
a. For single-period statements, does the disclosure indicate the effects of such restatement on net assets/fund equity at the beginning of the period and on the results of operations of the immediately preceding period?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. If financial statements for more than one period are presented, does disclosure include the effects for each of the periods presented in the statements? [APB 9, par. 26 (AC A35.107)]	_____	_____	_____
2. If the prior-period adjustments pertain to historical summaries of financial data, are the adjustments reflected therein with appropriate disclosure? [APB 9, par. 27 (AC A35.108)]	_____	_____	_____
3. If the current-period financial statements will have to be restated in the future because a GASB or FASB pronouncement will require retroactive application of its provisions by prior period adjustment, are the impending change in principle and the resulting restatement disclosed if they are considered essential data? [Interpretation 3 of SAS 1, sec. 410, pars. 13–16 (AU 9410.13–.16)]	_____	_____	_____
4. For an adjustment of an extraordinary item reported in a prior period:			
a. Is the adjustment classified separately as an extraordinary item in the current period?	_____	_____	_____
b. Are the nature, year of origin, and amount of the item disclosed? [SFAS 16, par. 16(c) (AC I17.119)]	_____	_____	_____

II. Government-Wide Financial Statements

A. Overview

1. Do the GWFS:			
a. Consist of a statement of net assets and a statement of activities? [GASB 34, par. 12 (GASB Cod. Sec. 2200.110)]	_____	_____	_____
b. Display information about the reporting government as a whole, including the primary government and its component units, except for the fiduciary funds of the primary government and component units that are fiduciary in nature? [GASB 34, par. 13 (GASB Cod. Sec. 2200.111)]	_____	_____	_____
c. Include the activity and balances of blended component units that are reported in the governmental and proprietary funds as if they were part of the primary government? [GASB 14, par. 52, and GASB 34, par. 6 (GASB Cod. Sec. 2600.112)]	_____	_____	_____
(1) Is the entity’s component unit Tobacco Settlement Authority included as a blended component unit? [GTB 04-1, pars. 10 and 11]	_____	_____	_____
d. Use separate rows and columns to distinguish between the total primary government and its discretely presented component units and between the governmental and business-type activities of the primary government? [GASB 34, pars. 12, 14, and 15 (GASB Cod. Secs. 2100.110, 2200.112 and .113, and 2600.101)]	_____	_____	_____
e. Present a total column for the primary government? [GASB 34, par. 14 (GASB Cod. Sec. 2200.112)]	_____	_____	_____
f. Include one or more columns to display the combined data of the discretely presented component units, located to the right of the	_____	_____	_____

* The provisions of GTB 04-1 will be included in section T50.601 in the *Codification of Governmental Accounting and Financial Reporting Standards* as of June 30, 2004.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
total column of the primary government and using a descriptive column heading? [GASB 14, par. 44 (GASB Cod. Sec. 2600.107)]	_____	_____	_____
(1) Are the legally separate, tax-exempt organizations that are reported as component units because they meet the criteria of GASB 39, par. 5 (GASB Cod. Sec. 2100.140) included as discretely presented component units? [GASB 39, par. 7 (GASB Cod. Sec. 2600.105)]	_____	_____	_____
2. Is the reporting for governmental and business-type activities based on all applicable GASB pronouncements, as well as FASB Statements and Interpretations, APB Opinions, and ARBs issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements? [GASB 34, par. 17 (GASB Cod. Sec. 1600.104)]	_____	_____	_____
3. Is the use of all noncontradictory, nonconflicting FASB Statements and Interpretations issued after November 30, 1989, for business-type activities based on the application of those pronouncements in the underlying enterprise funds? [GASB 34, par. 17 (GASB Cod. Sec. 1600.104); Q&A, item 7.30)]	_____	_____	_____
B. Statement of Net Assets			
1. Does the statement report all financial and capital resources?	_____	_____	_____
2. Is the statement presented either in a format that displays assets less liabilities equal net assets (encouraged) or uses the traditional balance sheet format (assets equal liabilities plus net assets)? [GASB 34, par. 30 (GASB Cod. Sec. 2200.115)]	_____	_____	_____
3. Are assets and liabilities presented either in order of their relative liquidity (encouraged) or classified between current and long-term (including presentation of restricted assets) using the provisions of Chapter 3 of ARB 43, <i>Restatement and Revision of Accounting Research Bulletins</i> and GASB 34, par. 99? [GASB 34, pars. 31, 97, 99, and fn. 23 (GASB Cod. Sec. 2200.116, .163, and .165 and fn. 12)]	_____	_____	_____
a. If making a liquidity presentation, are liabilities whose average maturities are greater than one year reported in two components—the amount due within one year and the amount due in more than one year? [GASB 34, par. 31 (GASB Cod. Sec. 2200.116)]	_____	_____	_____
4. Concerning internal balances:			
a. Are amounts reported in the funds as interfund receivables and payables (including amounts owing between the primary government and blended component units) eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which should be presented as internal balances?	_____	_____	_____
b. Are amounts reported in the funds as receivable from or payable to fiduciary funds included in the statement of net assets as receivable from and payable to external parties (consistent with the nature of fiduciary funds), rather than as internal balances?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. Are all internal balances eliminated in the total primary government column? [GASB 34, par. 58 (GASB Cod. Secs. 1800.103 and 2200.143); GASB 34, par. 61 (GASB Cod. Secs. 1800.106 and 2200.146)]	_____	_____	_____
5. Are amounts payable and receivable between the primary government and its discretely presented component units or between those components reported on a separate line? [GASB 34, par. 61 (GASB Cod. Secs. 1800.106 and 2200.146)]	_____	_____	_____
6. Are internal service fund asset and liability balances that are not eliminated in the statement of net assets reported in the governmental activities column unless enterprise funds are the predominant or only participants in an internal service fund? (If enterprise funds are the predominant or only participants in an internal service fund, in which case, that internal service fund’s residual assets and liabilities should be reported within the business-type activities column.) [GASB 34, par. 62 (GASB Cod. Secs. 1800.107 and 2200.147)]	_____	_____	_____
7. Is the difference between assets and liabilities reported as “net assets”? [GASB 34, par. 30 (GASB Cod. Sec. 2200.115)]	_____	_____	_____
8. Are net assets displayed in three components—invested in capital assets, net of related debt; restricted (distinguishing between major categories of restrictions); and unrestricted? [GASB 34, par. 32 (GASB Cod. Secs. 1800.132 and 2200.117)]	_____	_____	_____
a. When permanent endowments or permanent fund principal amounts are included, is “restricted net assets” displayed in two additional components—expendable and nonexpendable? [GASB 34, par. 35 (GASB Cod. Secs. 1800.135 and 2200.120)]	_____	_____	_____
9. Are designations of net assets not reported on the face of the statement? [GASB 34, par. 37 (GASB Cod. Secs. 1800.137 and 2200.122)]	_____	_____	_____

C. Statement of Activities

1. Does the statement present activities accounted for in governmental funds by function and activities accounted for in enterprise funds by different identifiable activities? (Hereinafter, this checklist uses the term <i>function</i> to refer to the minimum required level of detail for both governmental and business-type activities in the statement of activities.) [GASB 37, par. 10 (GASB Cod. Secs. 1800.123 and 2200.124)]	_____	_____	_____
2. Is the statement presented in a format that presents expenses before program revenues, thereby reporting the net (expense) revenue of its individual functions? [GASB 34, par. 38 (GASB Cod. Sec. 2200.123)]	_____	_____	_____
3. Are general revenues, contributions to term and permanent endowments, contributions to permanent fund principal, special items, extraordinary items, and transfers reported separately after the total net expenses of the government’s functions, ultimately arriving at the “change in net assets” for the period? [GASB 34, par. 38 (GASB Cod. Sec. 2200.123); GASB 34, par. 52 (GASB Cod. Secs. 1800.127 and 2200.137); GASB 34, par. 53 (GASB Cod. Secs. 1800.128 and 2200.138); GASB 34, par. 55 (GASB Cod. Secs. 1800.129 and 2200.140)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. Are special items reported before extraordinary items? [GASB 34, par. 56 (GASB Cod. Secs. 1800.130 and 2200.141)]	_____	_____	_____
4. Are all expenses reported by function, except for those that are special or extraordinary items?	_____	_____	_____
5. At a minimum, does the entity report direct expenses for each function? [GASB 34, par. 41 (GASB Cod. Secs. 1800.125 and 2200.126)]	_____	_____	_____
6. If the entity allocates some or all of its indirect expenses among functions, are direct and indirect expenses presented in separate columns? [GASB 34, par. 42 (GASB Cod. Sec. 2200.127)]	_____	_____	_____
7. Except as provided in GASB 34, par. 46, is interest on general long-term liabilities reported as a separate line item that clearly indicates that it excludes direct interest expenses, if any, reported in other functions, with the amount excluded disclosed in the notes or presented on the face of the statement? [GASB 34, par. 46 (GASB Cod. Sec. 2200.131)]	_____	_____	_____
8. Are program revenues separately reported in three categories—charges for services; program-specific operating grants and contributions; and program-specific capital grants and contributions? [GASB 34, par. 48 (GASB Cod. Secs. 1800.126 and 2200.133)]	_____	_____	_____
9. Are all taxes, which are general revenues, reported by type of tax? [GASB 34, par. 52 (GASB Cod. Secs. 1800.127 and 2200.137)]	_____	_____	_____
10. Concerning internal activity:			
a. Are resource flows between the primary government and blended component units reclassified as internal activity? [GASB 34, par. 61 (GASB Cod. Secs. 1800.106 and 2200.146); GTB 04-1, pars. 22 and 23 [†]]	_____	_____	_____
b. Are eliminations made in the statement of activities to remove the “doubling-up” effect of internal service fund activity and similar internal events that are, in effect, allocations of overhead expenses from one function to another or within the same function? [GASB 34, par. 59 (GASB Cod. Secs. 1800.104 and 2200.144)]	_____	_____	_____
c. Is the effect of interfund services provided and used between functions not eliminated in the statement of activities? [GASB 34, par. 60 (GASB Cod. Secs. 1800.105 and 2200.145)]	_____	_____	_____
11. Are resource flows (except those that affect the statement of net assets only, such as loans and repayments) between a primary government and its discretely presented component units reported as if they were external transactions—that is, as revenues and expenses? [GASB 34, par. 61 (GASB Cod. Secs. 1800.106 and 2200.146); GTB 04-1, pars. 22 and 23 [†]]	_____	_____	_____

III. Fund Financial Statements

A. Overview

- | | | | |
|---|-------|-------|-------|
| 1. Does the entity report governmental, proprietary, and fiduciary funds to the extent that it has activities that meet the criteria for using those funds?
[GASB 34, par. 63 (GASB Cod. Sec. 1300.102)] | _____ | _____ | _____ |
|---|-------|-------|-------|

[†] The provisions of GTB 04-1 will be included in section T50.601 in the *Codification of Governmental Accounting and Financial Reporting Standards* as of June 30, 2004.

- | | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|---|------------|-----------|------------|
| 2. Are separate financial statements presented for the three fund categories—governmental, proprietary, and fiduciary—after the government-wide financial statements?
[GASB 34, pars. 6b(2) and 74 (GASB Cod. Sec. 2200.102b(2) and .148)] | _____ | _____ | _____ |

B. Governmental Funds

- | | | | |
|---|-------|-------|-------|
| 1. Is the general fund used to account for all financial resources except those required to be reported in another fund?
[NCGA 1, par. 26 (GASB Cod. Sec. 1300.104)] | _____ | _____ | _____ |
| a. Are resources that are provided for administrative costs and fees of a state’s unemployment programs accounted for in the general fund unless legal requirements exist that require the resources be reported in another fund?
[NCGAI 9, par. 9 (GASB Cod. Sec. U50.101)] | _____ | _____ | _____ |
| b. If an employer government reports using more than one fund and a single fund is used to report on-behalf payments for fringe benefits and salaries, is that fund the general fund unless the on-behalf payments relate entirely to another fund?
[GASB 24, par. 11 and fn. 8 (GASB Cod. Sec. N50.133 and fn. 19)] | _____ | _____ | _____ |
| 2. Does the entity report only one general fund?
[NCGAI 9, par. 10 (GASB Cod. Sec. 1300.116)] | _____ | _____ | _____ |
| 3. Is the primary government’s general fund the only general fund for the reporting entity?
[GASB 14, par. 54 (GASB Cod. Secs. 1300.116 and 2600.114)] | _____ | _____ | _____ |
| 4. Are special revenues funds used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditure for specified purposes? (Resources restricted to expenditure for purposes normally financed from the general fund may be accounted for through the general fund provided that applicable legal requirements can be appropriately satisfied; and use of special revenue funds is not required unless they are legally mandated.)
[NCGA 1, pars. 26, as amended, and 30 (GASB Cod. Sec. 1300.105); NCGA 1, par. 30 (GASB Cod. Sec. 1300.117)] | _____ | _____ | _____ |
| a. Is the general fund of a blended component unit reported as a special revenue fund?
[GASB 14, par. 54 (GASB Cod. Secs. 1300.105 and .116 and 2600.114)] | _____ | _____ | _____ |
| 5. Are capital projects funds used to account for financial resources to be used for the acquisition or construction of major capital facilities, including those financed by general obligation bond proceeds (other than those financed by proprietary funds or in trust funds for individuals, private organizations, or other governments)?
[NCGA 1, par. 10 and par. 26, as amended by GASB 34, par. 69 (GASB Cod. Sec. 1300.106)] | _____ | _____ | _____ |
| 6. Are debt service funds used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest? (Debt service funds are required if they are legally mandated or if financial resources are being accumulated for principal and interest payments maturing in future years.)
[NCGA 1, pars. 26 and 30 (GASB Cod. Sec. 1300.107); NCGA 1, par. 30 (GASB Cod. Sec. 1300.117)] | _____ | _____ | _____ |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
7. Are permanent funds used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the entity’s programs—that is, for the benefit of the government or its citizenry? (An example is a cemetery perpetual-care fund that provides resources for the ongoing maintenance of a public cemetery.) [GASB 34, par. 65 and fn. 32 (GASB Cod. Sec. 1300.108 and fn. 3)]	_____	_____	_____
8. Do the governmental fund financial statements:			
a. Consist of a balance sheet (displaying assets equal liabilities plus fund balances) and a statement of revenues, expenditures, and changes in fund balances? [GASB 34, par. 78 (GASB Cod. Secs. 1300.102a and 2200.152); GASB 34, par. 83 (GASB Cod. Sec. 2200.153)]	_____	_____	_____
b. Include the governmental funds of blended component units and blended component units that are governmental in nature? [GASB 14, pars. 52 and 54 (GASB Cod. Sec. 2600.112 and .114); GASB 34, par. 125 (GASB Cod. Secs. 2100.110 and 2600.101)]	_____	_____	_____
c. Present the financial information of the entity’s main operating fund (the general fund or its equivalent) and each other major governmental fund in a separate column? [GASB 34, pars. 75, 76, 83, and 86 (GASB Cod. Sec. 2200.149, .150, .153, and .156)]	_____	_____	_____
d. Display the aggregate nonmajor governmental funds in a single column, regardless of fund type? [GASB 34, pars. 75, 83, and 86 (GASB Cod. Sec. 2200.149, .153, and .156)]	_____	_____	_____
e. Display a total column for all governmental funds? [GASB 34, pars. 83 and 86 (GASB Cod. Sec. 2200.153 and .156)]	_____	_____	_____
f. Present summary reconciliations to the GWFS on the face of the financial statements or in accompanying schedules? [GASB 34, pars. 77, 85, and 90 (GASB Cod. Sec. 2200.151, .155, and .160); Q&A, item 7.294]	_____	_____	_____
9. Are the governmental fund financial statements presented using the current financial resources measurement focus and the modified accrual basis of accounting? [GASB 34, par. 79 (GASB Cod. Sec. 1300.102a)]	_____	_____	_____
10. Does the balance sheet:			
a. Not report asset valuation accounts or deferred revenues as reserves? [NCGA 1, par. 119 (GASB Cod. Sec. 1800.140)]	_____	_____	_____
b. Report accumulated earmarked net assets for eventual payment of unmatured general long-term indebtedness as a part of fund balance—for example, as unreserved, designated fund balance, if appropriate. [GASBI 6, par. 16 (GASB Cod. Sec. 1600.124)]	_____	_____	_____
c. Segregate fund balances into reserved and unreserved amounts? [NCGA 1, pars. 118 and 121 (GASB Cod. Sec. 1800.139 and .142); GASB 34, par. 84 (GASB Cod. Sec. 2200.154)]	_____	_____	_____
d. Report fund balance reserves:			
(1) For encumbrances outstanding at year-end? [NCGA 1, par. 91 (GASB Cod. Sec. 1700.128)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(2) For inventories, to indicate the portion of fund balance that is not available for appropriation and expenditure at the financial statement date? [NCGA 1, par. 118 (GASB Cod. Sec. 1800.139)]	_____	_____	_____
(3) For contractual commitments to third parties that are not liabilities at the financial statement date?	_____	_____	_____
(4) For prepaid items?	_____	_____	_____
(5) For noncurrent receivables that are not offset by deferred revenue?	_____	_____	_____
(6) For the noncurrent portion of interfund receivables? [AAG-SLV, par. 10.10]	_____	_____	_____
e. Display reserved fund balances of the combined nonmajor funds in sufficient detail to disclose the purposes of the reservations (for example, reserved for debt service or reserved for encumbrances)?	_____	_____	_____
f. Display unreserved fund balances of nonmajor funds by fund type? [GASB 34, par. 84 (GASB Cod. Secs. 1800.143 and 2200.154)]	_____	_____	_____
g. Display or parenthetically disclose fund balance designations as part of unreserved fund balances? (Alternatively, designations may be disclosed in the notes to the financial statements.) [NCGA 1, par. 120 (GASB Cod. Sec. 1800.141)]	_____	_____	_____
(1) Does the display of fund balance designations not result in reporting negative undesignated balances at year-end? [AAG-SLV, par. 10.17]	_____	_____	_____
11. Does the statement of revenues, expenditures, and changes in fund balances:			
a. Present the following information, in the following sequence:			
(1) Revenues (detailed)?	_____	_____	_____
(2) Expenditures (detailed)?	_____	_____	_____
(3) Excess (deficiency) of revenues over expenditures?	_____	_____	_____
(4) Other financing sources and uses, including transfers (detailed)?	_____	_____	_____
(5) Special and extraordinary items (detailed)?	_____	_____	_____
(6) Net change in fund balances?	_____	_____	_____
(7) Fund balances (both reserved and unreserved)—beginning of period?	_____	_____	_____
(8) Fund balances—end of period? [GASB 34, pars. 86 and 89 and fn. 38 (GASB Cod. Sec. 2200.156 and .159, and fn. 27)]	_____	_____	_____
b. Classify revenues by major source? [NCGA 1, par. 110 (GASB Cod. Sec. 1800.115); GASB 34, par. 87 (GASB Cod. Sec. 2200.157)]	_____	_____	_____
c. Classify expenditures at a minimum by function? [NCGA 1, par. 112 (GASB Cod. Sec. 1800.117); GASB 34, par. 87 (GASB Cod. Sec. 2200.157)]	_____	_____	_____
d. Classify debt issue costs, both those paid out of debt proceeds and those paid from existing resources, as expenditures? [GASB 34, par. 87 (GASB Cod. Secs. 1800.110 and 2200.157)]	_____	_____	_____
e. Classify the following as other financing sources and uses:			
(1) The face amount of long-term debt not recorded as fund liabilities, in captions such as "Bonds Issued" or "Long-Term			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
Notes Issued" (except for the proceeds of special assessment debt for which the government is not obligated in any manner)? [NCGA 1, par. 108, as amended (GASB Cod. Secs. 1500.110 and 1800.108); GASB 6, par. 19 (GASB Cod. Sec. S40.119); GASB 7, par. 8, as amended (GASB Cod. Sec. 1800.109); GASB 34, par. 88, as amended (GASB Cod. Secs. 1500.110, 1800.108, and 2200.158)]	_____	_____	_____
(2) Issuance premium or discount? [GASB 34, par. 88 (GASB Cod. Secs. 1800.108 and 2200.158)]	_____	_____	_____
(3) Payments to escrow agents for bond refundings from resources provided by the new debt? [GASB 7, par. 8 (GASB Cod. Sec. 1800.109); GASB 34, par. 88 (GASB Cod. Secs. 1800.108 and 2200.158)]	_____	_____	_____
(4) Transfers? [GASB 34, par. 88 (GASB Cod. Sec. 2200.158); GASB 34, par. 112b(1) (GASB Cod. Sec. 1800.102b(1))]	_____	_____	_____
(5) Sales of capital assets (unless the sale meets the criteria for reporting as a special item)? [GASB 34, par. 88 (GASB Cod. Secs. 1800.113 and 2200.158)]	_____	_____	_____
f. Report special and extraordinary items separately within a "special and extraordinary items" classification if both occur during the same period?	_____	_____	_____
g. Separately identify significant transactions or other events that are either unusual or infrequent but are not within the control of management within the appropriate revenue or expenditure category? (Alternatively, these items may be disclosed in the notes to the financial statements.)	_____	_____	_____
h. Not report debt refundings as extraordinary items? [GASB 34, par. 89 (GASB Cod. Sec. 1800.131 and .159)]	_____	_____	_____

C. Proprietary Funds

1. Are enterprise funds used to report:			
a. Only activities for which a fee is charged to external users for goods or services?	_____	_____	_____
b. Activities that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges to external users for the activity?	_____	_____	_____
c. Activities for which laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges to external users?	_____	_____	_____
d. Activities with pricing policies that establishes fees and charges to external users designed to recover its costs, including capital costs? [GASB 34, par. 67 (GASB Cod. Sec. 1300.109)]	_____	_____	_____
e. A state's unemployment compensation benefit plan? [NCGAI 9, par. 9 (GASB Cod. Sec. U50.101); GASB 34, fn. 34 (GASB Cod. Sec. 1300, fn. 5)]	_____	_____	_____
2. Are internal service funds only used to report activities that provide goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments,			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
on a cost-reimbursement basis and for which the reporting government is the predominant participant in the activity? [GASB 34, par. 68 (GASB Cod. Sec. 1300.110)]	_____	_____	_____
3. Do the proprietary fund financial statements:			
a. Consist of a statement of net assets or balance sheet; a statement of revenues, expenses, and changes in fund net assets or fund equity; and a statement of cash flows? (Hereinafter, this checklist uses the terms <i>statement of net assets</i> and <i>statement of revenues, expenses, and changes in fund net assets</i> when referring specifically to the proprietary fund financial statements.) [GASB 34, par. 91 (GASB Cod. Secs. 1300.102b, 2200.161, and P80.106)]	_____	_____	_____
b. Include the proprietary funds of blended component units and blended component units that are proprietary in nature? [GASB 14, pars. 52 and 54 (GASB Cod. Sec. 2600.112 and .114); GASB 34, par. 125 (GASB Cod. Secs. 2100.110 and 2600.101)]	_____	_____	_____
c. Present the financial information of each major enterprise fund in a separate column?	_____	_____	_____
d. Display aggregate nonmajor enterprise funds in a single column? [GASB 34, par. 75 (GASB Cod. Secs. 2200.149 and P80.107); GASB 34, par. 96 (GASB Cod. Secs. 2200.162 and P80.111)]	_____	_____	_____
e. Display a total column for all enterprise funds? [GASB 34, par. 96 (GASB Cod. Secs. 2200.162 and P80.111)]	_____	_____	_____
f. Display the aggregate internal service funds in a single column to the right of the total enterprise funds column? [GASB 34, par. 96 (GASB Cod. Secs. 2200.162 and P80.111); GASB 34, fn. 35 (GASB Cod. Secs. 2200, fn. 24, and P80, fn. 5)]	_____	_____	_____
g. Present summary reconciliations to the GWFS, if there are reconciling differences, on the face of the financial statements or in accompanying schedules? [GASB 34, par. 77 (GASB Cod. Secs. 2200.151 and P80.109); GASB 34, par. 104 (GASB Cod. Secs. 2200.170 and P80.110); Q&A, item 7.294]	_____	_____	_____
4. Are the proprietary fund financial statements presented using the economic resources measurement focus and the accrual basis of accounting? [GASB 34, par. 92 (GASB Cod. Secs. 1300.102b and P80.102)]	_____	_____	_____
5. Are proprietary funds reported based on all applicable GASB pronouncements, as well as FASB Statements and Interpretations, APB Opinions, and ARBs issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements? [GASB 1, par. 8, and GASB 20, par. 6, as amended by GASB 34, par. 93 (GASB Cod. Sec. P80.102)]	_____	_____	_____
6. Do enterprise funds that apply the provisions of all noncontradictory, nonconflicting FASB Statements and Interpretations issued after November 30, 1989, apply only those post-November 30, 1989 FASB Statements and Interpretations that are developed for business enterprises? (See Appendix A.) [GASB 29, par. 7, as amended by GASB 34, par. 94 (GASB Cod. Sec. P80.103)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
7. Is the statement of net assets presented either in a format that displays assets less liabilities equal net assets or using a balance sheet format (assets equal liabilities plus net assets)? [GASB 34, par. 98 (GASB Cod. Secs. 2200.164 and P80.113)]	_____	_____	_____
8. Does the statement of net assets:			
a. Present assets and liabilities in a classified format to distinguish between current and long-term (including presentation of restricted assets) as discussed in Chapter 3 of ARB 43 and GASB 34, par. 99? [GASB 34, par. 97 (GASB Cod. Secs. 2200.163 and P80.112); GASB 34, par. 99 (GASB Cod. Secs. 2200.165 and P80.114)]	_____	_____	_____
b. Display net assets in three components—invested in capital assets, net of related debt; restricted (distinguishing between major categories of restrictions); and unrestricted? [GASB 34, par. 98 (GASB Cod. Secs. 1800.138, 2200.164, and P80.113)]	_____	_____	_____
(1) When permanent endowments are included, is “restricted net assets” displayed in two additional components—expendable and nonexpendable? [GASB 34, par. 103 (GASB Cod. Secs. 2200.169 and P80.119)]	_____	_____	_____
c. Not display capital contributions as a separate component of net assets?	_____	_____	_____
d. Not display designations of net assets? [GASB 34, par. 98 (GASB Cod. Secs. 1800.138, 2200.164, and P80.113)]	_____	_____	_____
9. Does the statement of revenues, expenses, and changes in fund net assets:			
a. Distinguish between operating and nonoperating revenues and expenses? [GASB 34, par. 100 (GASB Cod. Secs. 1800.122, 2200.166, and P80.115)]	_____	_____	_____
b. Present the following information, in the following sequence:			
(1) Operating revenues (detailed)?	_____	_____	_____
(2) Total operating revenues?	_____	_____	_____
(3) Operating expenses (detailed)?	_____	_____	_____
(4) Total operating expenses?	_____	_____	_____
(5) Operating income (loss)?	_____	_____	_____
(6) Nonoperating revenues and expenses (detailed)?	_____	_____	_____
(7) Income before other revenues, expenses, gains, losses, and transfers?	_____	_____	_____
(8) Capital contributions (grant, developer, and other), additions to permanent and term endowments, special and extraordinary items (detailed), and transfers?	_____	_____	_____
(9) Increase (decrease) in net assets?	_____	_____	_____
(10) Net assets—beginning of period?	_____	_____	_____
(11) Net assets—end of period? [GASB 34, par. 100 (GASB Cod. Secs. 1800.131, 2200.166, and P80.115); GASB 34, par. 101 (GASB Cod. Secs. 2200.167 and P80.116); GASB 34, par. 103 (GASB Cod. Secs. 2200.169 and P80.119)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. Classify revenues and expenses in a manner essentially like those of similar business organizations, trusts, or activities, unless that classification conflicts with or contradicts GASB pronouncements? [NCGA 1, par. 117, as amended by GASB 20, par. 6 (GASB Cod. Secs. 1800.122 and P80.117)]	_____	_____	_____
d. Report revenues by major source? [GASB 34, par. 100 (GASB Cod. Secs. 1800.122, 2200.166, and P80.115)]	_____	_____	_____
e. Either report revenues net of discounts and allowances with the discount or allowance amount parenthetically disclosed on the face of the statement or in a note to the financial statements, or report revenues gross with the related discounts and allowances reported directly beneath the revenue amount? [GASB 34, fn. 41 (GASB Cod. Secs. 2200, fn. 30, and P80, fn. 8)]	_____	_____	_____
f. Identify revenues used as security for revenue bond? [GASB 34, par. 100 (GASB Cod. Secs. 2200.166 and P80.115)]	_____	_____	_____
10. Does the statement of cash flows:			
a. Report the net cash provided or used by the fund's operating, noncapital financing, capital and related financing, and investing activities, and the net effect of those flows on cash and cash equivalents during the period, including restricted cash and cash equivalents, in a manner that reconciles beginning and ending cash and cash equivalents? [GASB 9, pars. 7, 8, 15, and 30 (GASB Cod. Sec. 2450.104, .105, .112, and .127)]	_____	_____	_____
b. Use a descriptive term, such as <i>cash</i> or <i>cash and cash equivalents</i> , rather than the term <i>funds</i> ?	_____	_____	_____
c. Show an amount of cash and cash equivalents at the beginning and end of the period that is easily traceable to similarly titled line items or subtotals in the fund's statement of net assets as of those dates? [GASB 9, par. 8 (GASB Cod. Sec. 2450.105)]	_____	_____	_____
d. Present information about cash receipts and payments as gross amounts rather than as net amounts, except for items in the investing and financing categories whose turnover is quick, amounts are large, and maturities are short and, in certain situations, the purchases and sales of highly liquid investments? [GASB 9, pars. 12–14 and 35 (GASB Cod. Sec. 2450.109–.111 and .130)]	_____	_____	_____
e. Use the direct method of presenting cash flows from operating activities, which reports major classes of gross cash receipts and gross cash payments and their arithmetic sum? [GASB 34, par. 105 (GASB Cod. Secs. 2200.171 and 2450.128)]	_____	_____	_____
f. At a minimum, separately report these classes of operating cash receipts and payments:			
(1) Cash receipts from customers?	_____	_____	_____
(2) Cash receipts from interfund services provided?	_____	_____	_____
(3) Other operating cash receipts, if any?	_____	_____	_____
(4) Cash payments to employees for services?	_____	_____	_____
(5) Cash payments to other suppliers of goods or services?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(6) Cash payments for interfund services used, including payments in lieu of taxes that are payments for, and reasonably equivalent in value to, services provided?	_____	_____	_____
(7) Other operating cash payments, if any? [GASB 9, par. 31, as amended by GASB 34, pars. 105 and 112 (GASB Cod. Sec. 2450.128)]	_____	_____	_____
g. Classify cash receipts and payments from the following activities as cash flows from operating activities:			
(1) Cash inflows from sales of goods or services, including receipts from collection of accounts receivable and both short- and long-term notes receivable from customers arising from those sales?	_____	_____	_____
(2) Cash receipts from interfund reimbursements?	_____	_____	_____
(3) Cash payments to acquire materials for providing services and manufacturing goods for resale, including principal payments on accounts payable and both short- and long-term notes payable to suppliers for those materials or goods?	_____	_____	_____
(4) Cash payments to other suppliers for other goods or services?	_____	_____	_____
(5) Cash payments to employees for services?	_____	_____	_____
(6) Cash payments for taxes, duties, fines, and other fees or penalties?	_____	_____	_____
(7) Cash receipts and payments for grants from or to other governments or organizations for specific activities that are considered to be operating activities of the grantor government or organization? (A grant arrangement of this type is essentially the same as a contract for services.)	_____	_____	_____
(8) Cash receipts and payments for interfund provided and services used, including receipts and payments in lieu of taxes that are payments for, and reasonably equivalent in value to, services provided?	_____	_____	_____
(9) Cash receipts and payments from the principal and interest on loan programs that are undertaken to fulfill a governmental responsibility (<i>program loans</i>)?	_____	_____	_____
(10) All other cash receipts and payments that do not result from transactions defined as capital and related financing, non-capital financing, or investing activities? [GASB 9, pars. 16 and 19 (GASB Cod. Sec. 2450.113 and .116); GASB 9, pars. 17 and 18, as amended by GASB 34, par. 112 (GASB Cod. Sec. 2450.114 and .115)]	_____	_____	_____
h. Provide in an accompanying schedule a reconciliation of operating cash flows to operating income? [GASB 9, par. 34, as amended by GASB 34, pars. 100 and 105 (GASB Cod. Secs. 2200.171 and 2450.129)]	_____	_____	_____
(1) Does the reconciliation report the same amount for net cash flow from operating activities indirectly by adjusting operating income to remove the effects of depreciation, amortization, and other deferrals of past operating cash receipts and payments, such as changes during the period in inventory, deferred revenue, and the like, and all accruals of expected future operating cash receipts and payments, such as changes during the period in receivables and payables?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(2) Does the reconciliation separately report all major classes of reconciling items, including, at a minimum, changes during the period in receivables pertaining to operating activities, in inventory, and in payables pertaining to operating activities? [GASB 9, pars. 32 and 33, as amended by GASB 34, pars. 100 and 105 (GASB Cod. Sec. 2450.129)]	_____	_____	_____
<i>i.</i> Classify cash receipts and payments from the following activities as cash flows from noncapital financing activities:			
(1) Proceeds from issuing bonds, notes, and other short- or long-term borrowings not clearly attributable to acquisition, construction, or improvement of capital assets, or program loans?	_____	_____	_____
(2) 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?	_____	_____	_____
(3) Cash received from other funds except those amounts that are clearly attributable to acquisition, construction, or improvement of capital assets; interfund services provided; and interfund reimbursements?	_____	_____	_____
(4) Cash received from property and other taxes collected for the governmental enterprise and not specifically restricted for capital purposes?	_____	_____	_____
(5) Repayments of amounts borrowed for purposes other than acquiring, constructing, or improving capital assets or to finance program loans?	_____	_____	_____
(6) Interest payments to lenders and other creditors on amounts borrowed or credit extended for purposes other than acquiring, constructing, or improving capital assets or to finance program loans?	_____	_____	_____
(7) 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?	_____	_____	_____
(8) Cash paid to other funds, except for interfund services used? [GASB 9, pars. 19 and 20 (GASB Cod. Sec. 2450.116 and .117); GASB 9, pars. 21 and 22, as amended by GASB 34, par. 112 (GASB Cod. Sec. 2450.118 and .119)]	_____	_____	_____
<i>j.</i> Classify cash receipts and payments from the following activities as cash flows from capital and related financing activities:			
(1) 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?	_____	_____	_____
(2) Receipts from capital grants awarded to the governmental enterprise?	_____	_____	_____
(3) 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?	_____	_____	_____
(4) Receipts from sales of capital assets as well as proceeds from insurance on capital assets that are stolen or destroyed?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(5) Receipts from special assessments or property and other taxes levied specifically to finance the construction, acquisition, or improvement of capital assets?	_____	_____	_____
(6) Payments to acquire, construct, or improve capital assets?	_____	_____	_____
(7) Repayments or refundings of amounts borrowed specifically to acquire, construct, or improve capital assets?	_____	_____	_____
(8) Other principal payments to vendors who have extended credit to the governmental enterprise directly for purposes of acquiring, constructing, or improving capital assets?	_____	_____	_____
(9) Cash payments to lenders and other creditors for interest directly related to acquiring, constructing, or improving capital assets? [GASB 9, pars. 23–25 (GASB Cod. Sec. 2450.120–.122)]	_____	_____	_____
k. Classify cash receipts and payments from the following activities as cash flows from investing activities:			
(1) 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?	_____	_____	_____
(2) Receipts from sales of equity instruments and from returns of investment in those instruments?	_____	_____	_____
(3) Interest and dividends received as returns on loans (except program loans), debt instruments of other entities, equity securities, and cash management or investment pools?	_____	_____	_____
(4) Withdrawals from investment pools that the governmental enterprise is not using as demand accounts?	_____	_____	_____
(5) Disbursements for loans (except program loans) made by the governmental enterprise and payments to acquire debt instruments of other entities (other than cash equivalents)?	_____	_____	_____
(6) Payments to acquire equity instruments?	_____	_____	_____
(7) Deposits into investment pools that the governmental enterprise is not using as demand accounts? [GASB 9, pars. 26–28 (GASB Cod. Sec. 2450.123–.125)]	_____	_____	_____
l. Report in a separate schedule (in narrative or tabular form) information about all investing, capital, and financing activities of a governmental enterprise during a period that affect recognized assets or liabilities but do not result in cash receipts or cash payments in the period?	_____	_____	_____
(1) Does the information clearly describe the cash and noncash aspects of transactions involving similar items? [GASB 9, par. 37 (GASB Cod. Sec. 2450.132)]	_____	_____	_____

D. Fiduciary Funds[‡]

1. Are pension (and other employee benefit) trust funds used to report resources that are required to be held in trust for the members and

[‡] GASB 43, which supersedes GASB 26, establishes accounting and financial reporting standards for plans that provide postemployment benefits other than pension benefits (known as other postemployment benefits or OPEB). The provisions of GASB 43 are effective in three phases starting in periods beginning after December 15, 2005, based on the implementation phase of the employer (for single-employer plans) or of the largest participating employer in the plan (for multiple-employer plans) for purposes of applying GASB 34. See the further discussion and questions about GASB 43 in Appendix B.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, and other employee benefit plans? [GASB 34, par. 70 (GASB Cod. Sec. 1300.111)]	_____	_____	_____
a. Do pension (and other employee benefit) trust funds include Internal Revenue Code Section 457 deferred compensation plans that meet the criteria for reporting in that manner? [GASB 32, par. 4, as amended by GASB 34, par. 70 (GASB Cod. Sec. D25.101)]	_____	_____	_____
2. Are investment trust funds used to report the external portion of investment pools reported by the sponsoring government? [GASB 34, par. 71 (GASB Cod. Sec. 1300.112)]	_____	_____	_____
a. If the entity provides individual investment accounts to other, legally separate entities that are not part of the same financial reporting entity, does it report those investments in one or more separate investment trust funds? [GASB 31, par. 20 (GASB Cod. Sec. I50.118)]	_____	_____	_____
b. If individual accounts are offered as an alternative to a pooled position, are the individual accounts reported in a different investment trust from the pool? [GASB 31, fn. 11 (GASB Cod. Sec. I50, fn. 11)]	_____	_____	_____
3. Are private-purpose trust funds used to report all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments? [GASB 34, par. 72 (GASB Cod. Sec. 1300.113)]	_____	_____	_____
4. Are agency funds used to report resources held by the reporting government in a purely custodial capacity? (Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.) [GASB 34, par. 73 (GASB Cod. Sec. 1300.114)]	_____	_____	_____
a. Are agency funds used to report cash pass-through grants only in those infrequent cases in which the recipient government serves only as a cash conduit? [GASB 24, par. 5 (GASB Cod. Sec. N50.128)]	_____	_____	_____
5. Are the fiduciary fund financial statements reported using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities of defined benefit pension plans and certain postemployment healthcare plans? [GASB 34, par. 107 (GASB Cod. Sec. 1300.102c)]	_____	_____	_____
6. Do the fiduciary fund financial statements:			
a. Consist of a statement of fiduciary net assets and statement of changes in fiduciary net assets? (For defined benefit pension plans, the statement of fiduciary net assets and statement of changes in fiduciary net assets are equivalent to the statement of plan net assets and statement of changes in plan net assets, respectively, required by GASB 25.) [GASB 34, par. 106 (GASB Cod. Secs. 1300.102c and 2200.172); GASB 34, fn. 43 (GASB Cod. Secs. 1300, fn. 1, and 2200, fn. 32)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(1) Does the statement of changes in fiduciary net assets report additions and deductions rather than revenues and expenses? [GASB 34, par. 109 (GASB Cod. Sec. 2200.174)]	_____	_____	_____
b. Include information about all fiduciary funds of the primary government, as well as component units that are fiduciary in nature? [GASB 34, par. 106 (GASB Cod. Secs. 1300.102c and 2200.172); GASB 34, par. 125, (GASB Cod. Secs. 2100.110 and 2600.101)]	_____	_____	_____
c. Include organizations that do not meet the definition for inclusion in the financial reporting entity if the primary government has a fiduciary responsibility for them? [GASB 14, par. 19 (GASB Cod. Secs. 2100.118 and 2600.104)]	_____	_____	_____
d. Provide a separate column for each fund type—pension (and other employee benefit) trust funds, investment trust funds, private-purpose trusts, agency funds? [GASB 34, par. 106 (GASB Cod. Sec. 2200.172)]	_____	_____	_____
e. Apply the detailed display requirements of GASB Cod. Secs. Pe5 and Po50 to the financial statements of employee benefit trust funds other than pension trust funds? [GASB 34, pars. 108 and 109 (GASB Cod. Sec. 2200.173 and .174)]	_____	_____	_____
f. Report agency fund assets equal to agency fund liabilities? [GASB 34, par. 110 (GASB Cod. Sec. 2200.175)]	_____	_____	_____
(1) If an agency fund has a negative cash balance because more cash has been paid out than received or if it has incurred more liabilities than there is cash to pay them, has the entity reported an interfund receivable in the agency fund to reflect the amount of its liability to cover the shortage? [AAG-SLV, par. 5.28]	_____	_____	_____
g. Not report agency funds in the statement of changes in fiduciary net assets? [GASB 34, par. 110 (GASB Cod. Sec. 2200.175)]	_____	_____	_____

E. Interfund Activity and Balances¹

1. Are amounts due from and due to other funds, including long-term amounts, reported in the fund financial statements? (Current amounts due from and due to the same funds may be offset and the net amounts shown in the respective fund financial position statements.) [NCGA 1, par. 22, as amended by GASB 34, pars. 81 and 112 (GASB Cod. Sec. 1300.120); NCGA 1, fn. 5 (GASB Cod. Sec. 1300.120); GASB 34, par. 81 (GASB Cod. Sec. 1500.102)]	_____	_____	_____
2. Are interfund loans reported as interfund receivables in lender funds and interfund payables in borrower funds (and not as other financing sources or uses)?	_____	_____	_____
a. If repayment of interfund loans is not expected within a reasonable time, is the interfund balances reduced and the amount that is not	_____	_____	_____

¹ This section applies not only to activity between the funds of a legal entity but also to activity between a primary government and its blended component units. Resource flows between a primary government and its discretely presented component units (except those that affect the financial position statement only, such as loans and repayments) are reported as revenues and expenses/ expenditures. [GASB 34, par. 61 (GASB Cod. Secs. 1800.106 and 2200.146)]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>expected to be repaid reported as a transfer from the fund that made the loan to the fund that received the loan? [GASB 34, par. 112a(1) (GASB Cod. Sec. 1800.102a(1))]</p>	_____	_____	_____
<p>3. Are interfund services provided and used reported as revenues in seller funds and expenditures or expenses in purchaser funds (except when the general fund is used to account for risk-financing activities), with unpaid amounts reported as interfund receivables and payables in the fund financial position statements? [GASB 34, par. 112a(2) and fn. 45 (GASB Cod. Sec. 1800.102a(2) and fn. 1)]</p>	_____	_____	_____
<p>4. Are transfers reported as:</p> <p>a. Other financing uses in the governmental funds making transfers?</p> <p>b. Other financing sources in the governmental funds receiving transfers?</p> <p>c. After nonoperating revenues and expenses in proprietary funds? [GASB 34, par. 112b(1) (GASB Cod. Sec. 1800.102b(1))]</p>	_____	_____	_____
<p>5. Are reimbursements not displayed in the financial statements? [GASB 34, par. 112b(2) (GASB Cod. Sec. 1800.102b(2))]</p>	_____	_____	_____
<p>6. If the entity moves capital assets from one fund or activity to another:</p> <p>a. Is the movement accounted for at the asset’s book value, with no gain or loss reported?</p> <p>b. Are movements of general capital assets to a proprietary or fiduciary fund not reported in governmental funds?</p> <p>c. Are movements of general capital assets to a proprietary fund (or visa versa) reported in the government-wide financial statements as internal activity between the governmental and business-type activities? [AAG-SLV, par. 7.45]</p>	_____	_____	_____
<p>7. Are any interfund and similar eliminations made in the fund financial statements apparent from the headings or disclosed in the notes to the financial statements? [NCGA 1, pars. 145, 147, and 156, as amended by GASB 34, par. 6 (GASB Cod. Sec. 2200, fn. 5)]</p>	_____	_____	_____
<p>8. Do interfund receivables equal interfund payables and do transfers in equal transfers out (unless there is a difference in fiscal year between the primary government and its blended component units)? [Generally Accepted]</p>	_____	_____	_____

IV. Assets, Liabilities, and Equity²

A. Cash, Investments, and Investment-Related Activity³

1. Does the entity not apply the provisions of GASB 31 to investments in equity securities that are accounted for under the equity method,

² See also the section of this checklist titled “Specialized Topics.”

³ See also the subsections on derivatives and governmental external investment pools in the section of this checklist titled “Specialized Topics.” In addition, a separate checklist, *Checklists and Illustrative Financial Statements for Governmental Employee Benefit Plans*, addresses the reporting and disclosure of governmental pension plans, including the reporting and disclosures for investments. See the further discussion of that checklist in the subsection on pension plans—defined benefit pension plans in the section of this checklist titled “Specialized Topics.”

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
to investments in joint ventures or component units, or to securities or other instruments not held by the entity for investment purposes, either for itself or for parties for which it serves as investment manager or other fiduciary? [GASB 31, par. 5 (GASB Cod. Sec. I50.104)]	_____	_____	_____
2. Does the entity apply the equity method for reporting investments in common stock, if applicable in the circumstances? [GASB 31, par. 5 (GASB Cod. Sec. I50.104); APB 18 (AC I82)]	_____	_____	_____
3. If a cash account for the entity is overdrawn in total, is the balance classified as a liability in the fund and government-wide financial statements? [AAG-SLV, par. 5.26]	_____	_____	_____
4. Is the equity position of each fund or component unit in an internal investment pool (or in an external investment pool that is sponsored by the entity) reported as assets in those funds and component units? [GASB 31, pars. 14 and 18 (GASB Cod. Sec. I50.112 and .116)]	_____	_____	_____
a. If a fund has overdrawn its share of the pool, has that fund reported an interfund liability to the fund that the government’s management deems to have lent the cash or investments to the overdrawn fund, with the fund deemed to have lent the cash or investments reporting an interfund receivable from the borrowing fund? [AAG-SLV, par. 5.26]	_____	_____	_____

Repurchase and Reverse Repurchase Agreements

5. Are yield maintenance repurchase and reverse repurchase agreements accounted for as purchases and sales of securities? [GASB 3, par. 83 (GASB Cod. Secs. I50.114 and I55.118)]	_____	_____	_____
6. For reverse repurchase and fixed coupon reverse repurchase agreements:			
a. Are the assets and liabilities arising from the agreements not netted on the financial position statements?	_____	_____	_____
b. Are the agreements reported as a liability captioned “obligations under reverse repurchase agreements,” and the underlying securities reported as “investments”? [GASB 3, par. 81 (GASB Cod. Sec. I55.114)]	_____	_____	_____
c. If the entity pools moneys from several funds for investment purposes, and the pool, rather than the individual funds, has the agreements, are the assets and liabilities reported in the financial position statements of the funds and activities that have the risk of loss on those assets (which may involve a pro rata allocation to the various funds and activities based on their equity in the pool)? [GASBI 3, par. 3, as amended by GASB 34, par. 15 (GASB Cod. Sec. I55.116)]	_____	_____	_____

Securities Lending Transactions

7. Are the following items reported in the financial position statements:			
a. Securities lent? [GASB 28, par. 5 (GASB Cod. Sec. I60.103)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. Cash received as collateral and investments made with that cash?	_____	_____	_____
c. Securities received as collateral if the entity has the ability to pledge or sell them without a borrower default?	_____	_____	_____
d. Liabilities resulting from these transactions? [GASB 28, par. 6 (GASB Cod. Sec. I60.104)]	_____	_____	_____
8. Are securities lending transactions (SLTs) collateralized by letters of credit or by securities that the entity does not have the ability to pledge or sell unless the borrower defaults not reported as assets or liabilities? [GASB 28, par. 7 (GASB Cod. Sec. I60.105)]	_____	_____	_____
9. If the entity pools moneys from several funds for investment purposes, and the pool, rather than the individual funds, has SLTs, are the assets and liabilities reported in the financial position statements of the funds and activities that have the risk of loss on those assets (which may involve a pro rata allocation to the various funds and activities based on their equity in the pool)? [GASB 28, par. 9, and GASB 34, par. 15 (GASB Cod. Sec. I60.107)]	_____	_____	_____

B. Nonexchange Transactions

Practice Tip

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

[GASB 33, par. 7 (GASB Cod. Sec. N50.104)]

1. Are nonexchange transaction resources received or reported as receivable before revenue recognition criteria are met recorded as deferred revenues? (For example, are property taxes or other revenues collected in advance of the fiscal year to which they apply recorded as deferred revenues?) [NCGA 1, par. 66 (GASB Cod. Sec. 1600.114); GASB 34, pars. 15–16, 18–19, and 21 (GASB Cod. Sec. N50.112–.113, .115–.116, and .118); NCGAI 3, par. 7, as amended by GASB 33, par. 18 (GASB Cod. Sec. P70.108)]	_____	_____	_____
2. Are nonexchange transaction resources transmitted before the expense/expenditure recognition criteria are met reported as advances? [GASB 33, pars. 15, 19, and 21 (GASB Cod. Sec. N50.112, .116, and .118)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>Food Stamps</i>			
3. Are food stamp balances held by the state or by its agents at the financial statement date reported as an asset, but not classified as cash or cash equivalents? [GASB 24, par. 6 and fn. 5 (GASB Cod. Sec. F60.101 and fn. 3); GASB 34, par. 12 (GASB Cod. Sec. F60.102)]	_____	_____	_____
4. In governmental funds, are food stamp balances offset by deferred revenue? [GASB 24, par. 6 (GASB Cod. Sec. F60.101)]	_____	_____	_____

C. Inventories

1. Are significant amounts of governmental fund inventories (for example, materials and supplies) reported in the balance sheet? [NCGA 1, par. 73 (GASB Cod. Sec. 1600.127)]	_____	_____	_____
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D. Capital Assets⁴

Practice Tips

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

[GASB 34, par. 19 (GASB Cod. Sec. 1400.103)]

GASB 34 requires prospective reporting of general infrastructure assets in the statement of net assets beginning at the effective dates of the Statement. It also encourages retroactive reporting of all major general infrastructure assets at that date. Phase 1 governments should retroactively report all major general infrastructure assets for fiscal years beginning after June 15, 2005. Phase 2 governments should retroactively report all major general infrastructure assets for fiscal years beginning after June 15, 2006. Phase 3 governments are encouraged but are not required to report major general infrastructure assets retroactively. Major general infrastructure assets are (1) subsystems of general infrastructure assets for which the cost or estimated cost is expected to be at least 5 percent of the total cost of all general capital assets reported in the first fiscal year ending after June 15, 1999, or (2) networks of general infrastructure assets for which the costs or estimated cost is expected to be at least 10 percent of the total cost of all general capital assets reported in the first fiscal year ending after June 15, 1999.

[GASB 34, pars. 148 and 156 (GASB Cod. Secs. 1400.125 and .133)]

1. Are capital assets of proprietary funds reported in both the government-wide and fund financial statements? [NCGA 1, pars. 32 and 34, as amended by GASB 34, pars. 6, 30, and 92 (GASB Cod. Sec. 1400.101); GASB 34, par. 92 (GASB Cod. Sec. 1400.115)]	_____	_____	_____
2. Are capital assets of fiduciary funds (and similar component units) reported only in the statement of fiduciary net assets? [NCGA 1, pars. 32 and 34, as amended by GASB 34, pars. 6 and 108 (GASB Cod. Sec. 1400.101); GASB 34, par. 108 (GASB Cod. Sec. 1400.116)]	_____	_____	_____

⁴ See also the subsections on leases, landfill closure and postclosure care costs, and special assessments in the section of this checklist titled "Specialized Topics."

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
3. Are all other of the entity's capital assets (general capital assets) not reported as assets in governmental funds but reported in the governmental activities column in the government-wide statement of net assets? [NCGA 1, par. 32, as amended by GASB 34, pars. 6, 30, and 80 (GASB Cod. Sec. 1400.101); GASB 34, par. 80 (GASB Cod. Sec. 1400.114)]	_____	_____	_____
4. Subject to the general rules for asset capitalization indicated above:			
a. For eligible infrastructure assets for which the entity uses the modified approach, are additions and improvements to those assets capitalized? (All other expenditures made for those assets should be expensed.) [GASB 34, par. 25 (GASB Cod. Sec. 1400.107)]	_____	_____	_____
b. Are works of art, historical treasures, and similar assets capitalized unless the collection meets all of the following—held for public exhibition, education, or research in furtherance of public service, rather than financial gain; protected, kept unencumbered, cared for, and preserved; subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections; and not capitalized at June 30, 1999? [GASB 34, par. 27 and fn. 22 (GASB Cod. Sec. 1400.109 and fn. 8)]	_____	_____	_____
5. In the government-wide statement of net assets:			
a. Are capital assets that are being or that have been depreciated reported net of accumulated depreciation? (Accumulated depreciation may be reported on the face of the statement or disclosed in the notes.)	_____	_____	_____
b. Are capital assets that are not being depreciated, such as land or infrastructure assets reported using the modified approach, reported in a separate line item if the entity has a significant amount of these assets? [GASB 34, par. 20 (GASB Cod. Sec. 1400.112)]	_____	_____	_____
E. Clearing Account Assets			
1. If an agency fund is used as a clearing account to distribute financial resources to other funds of the government, is the portion of the clearing account balance that pertains to those other funds not reported in agency funds but rather reported as assets in the appropriate funds? [GASB 34, par. 111 (GASB Cod. Sec. 2200.176)]	_____	_____	_____
F. Liabilities, Including Debt			
1. Are long-term liabilities directly related to and expected to be paid from proprietary funds reported in the proprietary fund statement of net assets and in the government-wide statement of net assets? [NCGA 1, par. 42, as amended, and GASB 34, pars. 30 and 92 (GASB Cod. Sec. 1500.102)]	_____	_____	_____
2. Are long-term liabilities directly related to and expected to be paid from fiduciary funds (and similar component units) reported only in the statement of fiduciary net assets? [NCGA 1, par. 42, as amended, and GASB 34, pars. 6, 13, and 108 (GASB Cod. Sec. 1500.102)]	_____	_____	_____

- | | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|--|------------|-----------|------------|
| 3. Are all other reported unmatured long-term liabilities of the government (except interfund liabilities, certain long-term demand bonds, long-term tax and revenue anticipation notes, and certain principal and interest payments due early in the following year ⁵) not reported as liabilities in governmental funds but reported only in the governmental activities column in the government-wide statement of net assets?
[NCGA 1, par. 43, as amended, and GASB 34, pars. 30 and 82 (GASB Cod. Sec. 1500.103)] | _____ | _____ | _____ |
| 4. Are matured liabilities (other than those associated with proprietary or fiduciary funds) reported as governmental fund liabilities? (Matured liabilities include liabilities that normally are due and payable in full when incurred, and the matured portion of general long-term indebtedness, that is, the portion that has come due for payment.)
[GASBI 6, par. 10 (GASB Cod. Sec. 1500.107)] | _____ | _____ | _____ |

Customer Deposits

- | | | | |
|--|-------|-------|-------|
| 5. For utility services reported in enterprise funds, are customer deposits for utility services reported in the fund and government-wide financial statements as liabilities until they are applied against unpaid billings or refunded to customers?
[AAG-SLV, par. 8.54] | _____ | _____ | _____ |
|--|-------|-------|-------|

Compensated Absences Liabilities

- | | | | |
|---|-------|-------|-------|
| 6. Are accrued liabilities for compensated absences reported in the government-wide and proprietary and fiduciary fund financial statements, but only reported in the governmental fund financial statements to the extent the liabilities are “normally expected to be liquidated with expendable available financial resources”?
[GASB 16, par. 13, as amended by GASB 34, pars. 6, 79, and 82, and GASBI 6, pars. 14 and 16 (GASB Cod. Sec. C60.111); GASB 34, pars. 16, 92, and 107 (GASB Cod. Sec. C60.109 and .110)] | _____ | _____ | _____ |
|---|-------|-------|-------|

Special Termination Benefits

- | | | | |
|--|-------|-------|-------|
| 7. Are accrued liabilities for special termination benefits reported in the government-wide and proprietary and fiduciary fund financial statements, but only reported in the governmental fund financial statements to the extent the liabilities are “normally expected to be liquidated with expendable available financial resources”?
[NCGA 4, par. 16, as amended by GASB 34, par. 82, NCGAI 8, par. 12, and GASBI 6, par. 14 (GASB Cod. Sec. T25.102)] | _____ | _____ | _____ |
|--|-------|-------|-------|

Lottery Prizes

- | | | | |
|--|-------|-------|-------|
| 8. Does the entity report a liability for lottery prizes?
[AAG-SLV, pars. 12.104–12.107] | _____ | _____ | _____ |
| a. If the entity has purchased an annuity in the name of a prize-winner, does it not report a liability or asset, but disclose in the financial statements that a contingent liability exists, if appropriate?
[AAG-SLV, par. 12.105] | _____ | _____ | _____ |

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

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>Bond, Tax, and Revenue Anticipation Notes</i>			
9. Are proprietary fund bond, tax, and revenue anticipation notes reported as current or long-term liabilities depending on the refinancing status in accordance with the criteria in SFAS 6, <i>Classification of Short-Term Obligations Expected to Be Refinanced</i> , and reported in the business-type activities column of the government-wide statement of net assets? [NCGAI 9, par. 12 (GASB Cod. Sec. B50.101); GASB 34, par. 15 (GASB Cod. Sec. B50.103)]	_____	_____	_____
10. For governmental fund-related notes:			
a. If bond anticipation notes meet the criteria for reporting on a long-term basis set forth in SFAS 6, are they not reported in the governmental funds but reported only as general long-term liabilities in the governmental activities column of the government-wide statement of net assets?	_____	_____	_____
b. If bond anticipation notes do not meet the criteria for reporting on a long-term basis, are they reported both in the governmental fund receiving the proceeds and in the governmental activities column of the government-wide statement of net assets?	_____	_____	_____
c. Are tax and revenue anticipation notes reported as a liability in the governmental fund receiving proceeds and in the governmental activities column of the government-wide statement of net assets? [NCGAI 9, par. 12, as amended by GASB 34, par. 82 (GASB Cod. Sec. B50.102)]	_____	_____	_____

Debt Refundings

11. In governmental funds: ⁶			
a. For current and advance refundings resulting in defeasance of general long-term debt, is the face amount of the new debt reported as an "other financing source—refunding bonds" in the governmental fund receiving the proceeds?	_____	_____	_____
b. For advance refundings, are payments to the escrow agent from resources provided by the new debt reported as an "other financing use—payment to refunded bond escrow agent" and are payments to the escrow agent made from other resources of the entity reported as debt service expenditures? [GASB 7, par. 8, as amended by GASB 34, par. 82 and par. 88, and GASB 37, par. 16 (GASB Cod. Secs. 1800.109 and D20.106)]	_____	_____	_____
12. For current and advance refundings in proprietary funds, is the unamortized difference between the reacquisition price and the net carrying amount of the old debt deferred and reported as a deduction from or an addition to the new debt liability on the statement of net assets? (The new debt may be reported "net," with either parenthetical or note disclosure of the deferred amount on refunding; or it may be			

⁶ Because other financing sources and uses, rather than gains or losses, are reported for debt refundings in governmental funds, those transactions should not be reported as extraordinary items in governmental funds. [GASB 34, par. 89 (GASB Cod. Secs. 1800.131 and 2200.159)]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>reported "gross," with both the debt liability and related deferred amount presented in the statement of net assets.) [GASB 23, par. 4, as amended by GASB 34, pars. 15 and 91 (GASB Cod. Sec. D20.108); GASB 23, fn. 5, as amended by GASB 34, par. 91 (GASB Cod. Sec. D20, fn. 6)]</p>	_____	_____	_____
<p>13. In the government-wide financial statements, are all current and advance refundings, including refundings of general long-term debt (which should be reported in the governmental activities column), reported in the same manner as in proprietary fund financial statements as indicated in Question 12 above? [GASB 34, pars. 16 and 82 (GASB Cod. Sec. D20.110)]</p>	_____	_____	_____
<i>Demand Bonds</i>			
<p>14. Are demand bonds reported as general long-term liabilities (and reported only in the government-wide statement of net assets) or excluded from current liabilities of proprietary funds if all of the following conditions are met?</p> <p><i>a.</i> 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.</p>	_____	_____	_____
<p><i>b.</i> The take out agreement does not expire within one year from the issuer's financial statement date.</p>	_____	_____	_____
<p><i>c.</i> 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.</p>	_____	_____	_____
<p><i>d.</i> The lender or the prospective lender or investor is expected to be financially capable of honoring the take out agreement. [GASBI 1, par. 10, as amended by GASB 34, pars. 12, 82, and 97 (GASB Cod. Sec. D30.108)]</p>	_____	_____	_____
<p>15. If the conditions listed in Question 14 above are not met, are demand bonds reported as liabilities in the governmental fund used to account for the proceeds of the bond issue or, in the case of proprietary funds, as current liabilities? [GASBI 1, par. 10 (GASB Cod. Secs. 1800.111 and D30.108); GASBI 1, par. 13 (GASB Cod. Secs. 1800.111 and D30.109)]</p>	_____	_____	_____
<p>16. If, because a take out agreement expires, it is necessary to report a liability in a governmental fund for demand bonds previously reported only in the government-wide statement of net assets, is the liability reported as a liability of the governmental fund in which the proceeds of the issue were initially reported with a corresponding debit to "other financing uses"? [GASBI 1, par. 13 (GASB Cod. Secs. 1800.111 and D30.109); GASB 34, par. 82 (GASB Cod. Sec. D30.109)]</p>	_____	_____	_____
<p>17. Are redemptions of demand bonds reported in governmental funds reported as expenditures of the fund from which debt service is normally paid and the demand bond liability reduced simultaneously by a credit to "other financing sources"? [GASBI 1, par. 13 (GASB Cod. Secs. 1800.111 and D30.109)]</p>	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
18. If a take out agreement has been exercised converting demand bonds to an installment loan, is the installment loan reported as general long-term debt (or as long-term debt in the proprietary funds and usiness-type activities) and is the payment schedule under the installment installment loan included as part of the schedule of debt service requirements to maturity? [GASBI 1, par. 12 (GASB Cod. Sec. D30.112)]	_____	_____	_____

Long-Term Obligations That Are Callable Because of Covenant Violations

19. Are long-term obligations that are or will be callable by the creditor (because the debtor's violation of a provision of the debt agreement at the financial statement date makes the obligation callable or because the violation, if not cured within a specified grace period, will make the obligation callable) classified as a current liability unless one of the following conditions is met?			
a. The creditor has waived or subsequently lost the right to demand repayment for more than one year (or operating cycle, if longer) from the financial statement date.	_____	_____	_____
b. For long-term obligations containing a grace period within which the debtor may cure the violation, it is probable that the violation will be cured within that period, thus preventing the obligation from becoming callable. [SFAS 78, par. 5 (AC B05.109A)]	_____	_____	_____
20. If an obligation as discussed in Question 19 above is classified as a long-term liability, are the circumstances disclosed? [SFAS 78, par. 5 (AC B05.118)]	_____	_____	_____

Contingent Liabilities

21. If fund liabilities for which the entity is contingently liable (for example, through a general obligation backing on enterprise fund debt) are in default—or where for other reasons it appears probable that they will not be paid on a timely basis from the resources of these funds and default is imminent—are the liabilities reported separately from other liabilities in the financial position statements and are all significant facts with respect to the situation disclosed? [NCGA 1, par. 46 (GASB Cod. Secs. 2300.106d and 1500.114)]	_____	_____	_____
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G. Equity

1. If the entity receives nonexchange transaction resources that have purpose restrictions, does it report the resulting equity as restricted or reserved, as appropriate, until the resources are used for the specified purpose or for as long as the provider requires the resources to be maintained intact? [GASB 33, pars. 14 and 22 and fns. 9 and 13 (GASB Cod. Sec. N50.111 and .119 and fns. 8 and 12)]	_____	_____	_____
2. If the entity uses the purchases method to account for inventories, does it display the change in the fund balance reserve for inventories as a change to beginning fund balance? [AAG-SLV, par. 10.14]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
V. Revenues and Expenses/Expenditures⁷			
A. Income on Investments and Investment-Related Activity⁸			
1. Is investment income, including changes in the fair value of investments, reported as revenue in the activity statements?	_____	_____	_____
2. If identified separately as an element of investment income, is the change in the fair value of investments captioned “net increase (decrease) in the fair value of investments”?	_____	_____	_____
3. Are realized gains and losses not displayed separately from the net increase (decrease) in the fair value of investments in the financial statements? (Note that in their separate reports, governmental external investment pools may elect to display realized gains and losses.) [GASB 31, par. 13 (GASB Cod. Sec. I50.111)]	_____	_____	_____
4. If income from investments associated with one fund is assigned to another fund because of legal or contractual provisions, is the reporting treatment based on the specific language of those provisions?	_____	_____	_____
5. If income from investments associated with one fund is assigned to another fund for other than legal or contractual reasons—for example, management decision—is the income reported in the fund that reports the investments with the transfer of that income to the recipient fund reported as an interfund transfer? [GASB 31, par. 14 and fn. 8, as amended by GASB 34, par. 112 (GASB Cod. Sec. I50.112 and fn. 10)]	_____	_____	_____
<i>Repurchase and Reverse Repurchase Agreements</i>			
6. Is the income from repurchase and fixed coupon repurchase agreements shown as interest income? [GASB 3, par. 82 (GASB Cod. Sec. I50.113)]	_____	_____	_____
7. Are yield maintenance repurchase and reverse repurchase agreements accounted for as purchases and sales of securities, with gains or losses reported? [GASB 3, par. 83 (GASB Cod. Secs. I50.114 and I55.118)]	_____	_____	_____
8. Concerning reverse repurchase and fixed coupon reverse repurchase agreements:			
a. Is the interest cost of the agreements reported as interest expenditure/expense and not netted with interest earned on any related investments? [GASB 3, par. 82 (GASB Cod. Sec. I55.115)]	_____	_____	_____
b. Is the income and costs arising from pooled agreements reported in the activity statements of the funds and activities that have the risk of loss on the assets (which may involve a pro rata allocation to the various funds and activities based on their equity in the pool)? [GASBI 3, par. 4, as amended by GASB 34, par. 15 (GASB Cod. Sec. I55.117)]	_____	_____	_____

⁷ See also the section of this checklist titled “Specialized Topics.”

⁸ See also the subsections on derivatives and governmental external investment pools in the section of this checklist titled “Specialized Topics.” In addition, a separate checklist, *Checklists and Illustrative Financial Statements for Governmental Employee Benefit Plans*, addresses the reporting and disclosure of governmental pension plans, including the reporting and disclosures for investments. See the further discussion of that checklist in the subsection on pension plans—defined benefit pension plans in the section of this checklist titled “Specialized Topics.”

- | | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|---|------------|-----------|------------|
| <p>c. If income from pooled reverse repurchase agreements that represent equity associated with one fund become the assets of another fund because of legal or contractual provisions, is the reporting treatment based on the specific language of those provisions?
[GASBI 3, par. 4 and fn. 3, as amended by GASB 34, par. 112 (GASB Cod. Sec. I55.117 and fn. 7)]</p> | _____ | _____ | _____ |
| <p>d. If income from pooled agreements that represent equity associated with one fund become the assets of another fund for other than legal or contractual reasons—for example, management decision—is the income and costs reported in the fund that reports the equity with the transfer of those amounts to the recipient fund reported as an interfund transfer?
[GASBI 3, par. 4, as amended by GASB 34, par. 112 (GASB Cod. Sec. I55.117)]</p> | _____ | _____ | _____ |

Securities Lending Transactions

9. Concerning SLTs:

- | | | | |
|--|-------|-------|-------|
| <p>a. Are the costs of SLTs, including borrower rebates (which should be reported as interest expenditures or expenses) and agent fees, reported as expenditures or expenses, and not netted with interest revenue or income from the investment of cash collateral, any other related investments, or loan premiums or fees?
[GASB 28, par. 8 (GASB Cod. Sec. I60.106)]</p> | _____ | _____ | _____ |
| <p>b. Are the income and costs arising from pooled SLTs reported in the activity statements of the funds and activities that have the risk of loss on the assets (which may involve a pro rata allocation to the various funds and activities based on their equity in the pool)?
[GASB 28, par. 10, as amended by GASB 34, par. 15 (GASB Cod. Sec. I60.108)]</p> | _____ | _____ | _____ |
| <p>c. If income from pooled SLTs that represent equity associated with one fund become the assets of another fund because of legal or contractual provisions, is the reporting treatment based on the specific language of those provisions?
[GASB 28, par. 10 and fn. 9, as amended by GASB 34, par. 112 (GASB Cod. Sec. I60.108 and fn. 9)]</p> | _____ | _____ | _____ |
| <p>d. If income from pooled SLTs that represent equity associated with one fund become the assets of another fund for other than legal or contractual reasons—for example, management decision—is the income and costs reported in the fund that reports the equity with the transfer of those amounts to the recipient fund reported as an interfund transfer?
[GASB 28, par. 10, as amended by GASB 34, par. 112 (GASB Cod. Sec. I60.108)]</p> | _____ | _____ | _____ |

B. Nonexchange Transactions⁹

- | | | | |
|--|-------|-------|-------|
| <p>1. Does the entity report fees received for administering pass-through grants as revenues?
[AAG-SLV, par. 8.34]</p> | _____ | _____ | _____ |
|--|-------|-------|-------|

⁹ The Practice Tip in the subsection on nonexchange transactions in the section of this checklist titled “Assets, Liabilities, and Equity” provides definitions, classifications, and examples of nonexchange transactions.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>On-Behalf Payments for Fringe Benefits and Salaries</i>			
2. Does a paying government classify the expenditures or expenses for the on-behalf payments for fringe benefits and salaries that it makes in the same manner that it classifies similar cash grants to other entities? [GASB 24, par. 13, as amended by GASB 34, par. 16 (GASB Cod. Sec. N50.135)]	_____	_____	_____

Food Stamps

3. If the entity is a state government, does it report distributions of food stamp benefits as revenue and expenditures in the general fund or a special revenue fund and as revenues and expenses in the governmental activities column of the government-wide financial statements? [GASB 24, par. 6 (GASB Cod. Sec. F60.101); GASB 34, par. 12 (GASB Cod. Sec. F60.102)]	_____	_____	_____
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C. Capital Asset-Related Revenues and Expenses/Expenditures

1. In the government-wide, proprietary fund, and fiduciary fund activity statements:			
a. Is depreciation reported on capital assets? (Inexhaustible capital assets and infrastructure assets reported using the modified approach are not depreciated.) [GASB 34, par. 21 (GASB Cod. Sec. 1400, 3rd principle and .104); GASB 34, pars. 22, 92, and 107 (GASB Cod. Sec. 1400, 3rd principle); GASB 34, par. 29 (GASB Cod. Sec. 1400.111)]	_____	_____	_____
b. For eligible infrastructure assets for which the entity uses the modified approach, are expenditures made to maintain those assets expensed? (Additions and improvements to those assets should be capitalized.) [GASB 34, par. 25 (GASB Cod. Sec. 1400.107)]	_____	_____	_____
c. When donated collection items are added to noncapitalized collections of works of art, historical treasures, and similar assets, does the entity report offsetting revenue and expense? [GASB 34, par. 28 (GASB Cod. Secs. 1400.110 and N50, fn. 10)]	_____	_____	_____
2. In the government-wide statement of activities:			
a. If the entity uses a separate line item to report unallocated depreciation expense, does it clearly indicate on the face of the statement that this line item excludes direct depreciation expenses of the various programs? [GASB 34, par. 44 (GASB Cod. Sec. 2200.129)]	_____	_____	_____
b. Is depreciation expense for general infrastructure assets reported as either a direct expense of the function (for example, public works or transportation) that the entity normally associates with capital outlays for, and maintenance of, infrastructure assets or as a separate line in the statement of activities? [GASB 34, par. 45 (GASB Cod. Sec. 2200.130)]	_____	_____	_____
3. In governmental funds, are capital asset purchases reported as expenditures? [GASB 34, par. 80 (GASB Cod. Sec. 1400.114)]	_____	_____	_____

Yes No N/A

VI. Note Disclosures

Practice Tips

The notes to the financial statements, which form an integral part of the basic financial statements, should communicate information essential for fair presentation of the basic financial statements that is not displayed on the face of the financial statements.

[GASB 34, par. 113 (GASB Cod. Sec. 2300.102)]

Disclosure in the notes to the financial statements is needed only when the information required to be disclosed is not displayed on the face of the financial statements.

[GASB 38, par. 5 (GASB Cod. Sec. 2300.103)]¹¹

A. Focus of Note Disclosures

1. Do the note disclosures:

a. Distinguish between information pertaining to the primary government (including its blended component units) and that of its discretely presented component units?

[GASB 14, par. 62 (GASB Cod. Secs. 2300.104 and 2600.121)]

b. Focus on the primary government—specifically, its governmental activities, business-type activities, major funds individually, and nonmajor funds in the aggregate (including blended component units)?

[GASB 14, par. 63, as amended by GASB 34, par. 113 (GASB Cod. Secs. 2300.102 and 2600.122)]

c. Encompass individual discretely presented component units considering both (1) the unit’s significance relative to the total discretely presented component units and (2) the nature and significance of the unit’s relationship to the primary government?

[GASB 14, par. 63 (GASB Cod. Secs. 2300.105 and 2600.122)]

B. Summary of Significant Accounting Policies¹⁰

1. Is a summary of significant accounting policies (SSAP) included as a stand-alone summary or as the initial note to financial statements?

[NCGAI 6, par. 8 (GASB Cod. Sec. 2300.110); APB 22, par. 15 (AC A10.108)]

2. Does the SSAP include:

a. A description of the government-wide financial statements, noting that neither fiduciary funds nor component units that are fiduciary in nature are included?

[GASB 34, par. 115 (GASB Cod. Sec. 2300.106a)]

b. A description of component units, their relationships to the primary government, how they are reported, the criteria for including component units, how to obtain separate financial statements for individual component units, and the effect of component units with differing fiscal years?

[GASB 14, par. 60 (GASB Cod. Secs. 2300.901 and 2600.119); GASB 14, par. 61 (GASB Cod. Secs. 2300.106a and .901 and 2600.120)]

¹¹ This provision of GASB 38 is effective when the provisions of GASB 34 are required to be implemented, but is not required to be implemented at the same time as GASB 34 if GASB 34 is early implemented. See the further discussion of the effective dates for GASB 34 and GASB 38 in FSP section 13,000.

¹⁰ Certain note disclosures listed elsewhere in this checklist should or may be located in the summary of significant accounting policies. See GASB Cod. Sec. 2300.106a.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. If the primary government is presented in more than a single column in the basic financial statements, a description of the activities accounted for in each major fund, the internal service funds, and the fiduciary fund types? (Except for the general fund or its equivalent, the descriptions should be specific to the entity, rather than general definitions that could describe any government.)# [GASB 38, par. 6 (GASB Cod. Secs. 1300.125 and 2300.106a)]	_____	_____	_____
d. The measurement focus and basis of accounting used in the government-wide and fund financial statements? [NCGAI 6, Appendix, as amended (GASB Cod. Sec. 2300.901); GASB 34, par. 115 (GASB Cod. Sec. 2300.106a)]	_____	_____	_____
e. The revenue recognition policies used in fund financial statements, including the length of time used to define <i>available</i> for purposes of revenue recognition in the governmental fund financial statements?** [NCGA 1, par. 69 (GASB Cod. Secs. 1600.108 and 2300.106a); GASB 38, par. 7 (GASB Cod. Secs. 1600.106 and 2300.106a)]	_____	_____	_____
f. The policy for eliminating internal activity in the government-wide statement of activities, including, if applicable, that an administrative overhead component is included in direct expenses? [GASB 34, par. 43 (GASB Cod. Sec. 2200.128); GASB 34, par. 115 (GASB Cod. Sec. 2300.106a)]	_____	_____	_____
g. The policy for interfund eliminations in the fund financial statements? [NCGAI 6, Appendix, as amended (GASB Cod. Sec. 2300.901)]	_____	_____	_____
h. The policy for capitalizing assets and for estimating the useful lives of those assets (used to calculate depreciation expense)?	_____	_____	_____
i. A description of the modified approach for reporting eligible infrastructure assets, if used?	_____	_____	_____
j. The types of transactions included in program revenues in the statement of activities?	_____	_____	_____
k. The policy for allocating indirect expenses to functions in the statement of activities? [GASB 34, par. 115 (GASB Cod. Sec. 2300.106a)]	_____	_____	_____
l. The policy for defining operating and nonoperating revenues of proprietary funds? [GASB 34, par. 102 (GASB Cod. Secs. 2200.168, 2300.106a, and P80.118); GASB 34, par. 115 (GASB Cod. Sec. 2300.106a)]	_____	_____	_____
m. The policy for applying FASB pronouncements issued after November 30, 1989, to business-type activities and to enterprise funds of the primary government? [GASB 34, par. 115 (GASB Cod. Sec. 2300.106a)]	_____	_____	_____

This provision of GASB 38 is effective when the provisions of GASB 34 are required to be implemented, but is not required to be implemented at the same time as GASB 34 if GASB 34 is early implemented. See the further discussion of the effective dates for GASB 34 and GASB 38 in FSP section 13,000.

** The requirement to disclose the length of time used to define *available* is a requirement from GASB 38 that is effective when the provisions of GASB 34 are required to be implemented. However, this provision is not required to be implemented at the same time as GASB 34 if GASB 34 is early implemented. See the further discussion of the effective dates for GASB 34 and GASB 38 in FSP section 13,000.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
n. The definition of cash and cash equivalents used in the statement of cash flows for proprietary funds? [GASB 9, par. 11 (GASB Cod. Secs. 2300.106a and 2450.108)]	_____	_____	_____
o. The government’s policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available? [GASB 34, par. 115 (GASB Cod. Sec. 2300.106a)]	_____	_____	_____
p. Significant or unusual accounting treatment for other material account balances or activities? [NCGAI 6, Appendix, as amended (GASB Cod. Sec. 2300.901)]	_____	_____	_____
q. The method and period of amortization for intangible assets? [APB 22, par. 13 (AC A10.106)]	_____	_____	_____
r. The basis for stating inventories, including the method of determining cost? [ARB 43, Ch. 3A, par. 9 (AC I78.120); APB 22, par. 13 (AC A10.106)]	_____	_____	_____

C. Cash, Investments, and Investment-Related Activity^{11, #}

1. For deposits with financial institutions and investments (including repurchase agreements), do note disclosures include:			
a. A brief description of the types of investments authorized by legal or contractual provisions?	_____	_____	_____
b. The differences in authorized investment types, if the types of investments authorized for different funds, fund types, blended component units, or discretely presented component units differ significantly from those authorized for the primary government, and those funds, fund types, or component units have material investment activity compared with the reporting entity’s investment activity? [GASB 3, par. 65, as amended by GASB 14 and GASB 34, par. 6 (GASB Cod. Sec. I50.122)]	_____	_____	_____
c. Significant violations during the period of legal or contractual provisions for deposits and investments and actions taken to address such violations? [#] [GASB 3, par. 66 (GASB Cod. Secs. C20.105 and I50.123); GASB 38, par. 9 (GASB Cod. Secs. 1200.112, C20.105, and I50.123)]	_____	_____	_____
d. If the bank balances of deposits as of the financial statement date are entirely insured or collateralized with securities held by the entity or by its agent in the entity’s name, a statement to that effect?	_____	_____	_____

¹¹ See also the subsections on derivatives and governmental external investment pools in the section of this checklist titled “Specialized Topics.” In addition, a separate checklist, *Checklists and Illustrative Financial Statements for Governmental Employee Benefit Plans*, addresses the reporting and disclosure of governmental pension plans, including the reporting and disclosures for investments. See the further discussion of that checklist in the subsection on pension plans—defined benefit pension plans in the section of this checklist titled “Specialized Topics.”

[#] GASB 40 supersedes and rescinds certain of the disclosure requirements of GASB 3. Specifically, it supersedes the level of note disclosure requirement in par. 64 and the custodial credit risk disclosure requirements in pars. 67–69. In addition, it rescinds the provisions of pars. 70, 71, 73, and 74. GASB 40 is effective for financial statements for periods beginning after June 15, 2004, with earlier application encouraged. See the further discussion and questions about GASB 40 in Appendix B.

[#] The requirement to disclose actions taken to address significant violations is a requirement from GASB 38 that is effective when the provisions of GASB 34 are required to be implemented. However, this provision is not required to be implemented at the same time as GASB 34 if GASB 34 is early implemented. See the further discussion of the effective dates for GASB 34 and GASB 38 in FSP section 13,000.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
e. If the bank balances of deposits as of the financial statement date are not entirely insured or collateralized with securities held by the entity or by its agent in the entity's name:			
(1) Reported amount of total deposits?	_____	_____	_____
(2) The amount of total bank balances 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 (including 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, as amended by GASB 31 (GASB Cod. Secs. C20.106 and I50.124)]	_____	_____	_____
f. The reported amount and fair value of investments (including repurchase agreements) as of the financial statement date in total and for each type of investment? ¹² [GASB 3, par. 68, as amended by GASB 31, par. 6 (GASB Cod. Sec. I50.125)]	_____	_____	_____
g. The reported amount of each type of investment classified in the following three categories of credit risk, except for types of investments that are not evidenced by securities that exist in physical or book entry form, such as investments in external investment pools and in open-end mutual funds, or to securities underlying reverse repurchase agreements and certain SLTs:			
(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? (This includes the portion of the reported amount of any repurchase agreement that exceeds the fair value of the underlying securities.) [GASB 3, par. 68, as amended by GASB 31, par. 6; (GASB Cod. Sec. I50.125); GASB 3, par. 69 (GASB Cod. Sec. I50.126); GASB 28, par. 16, as amended by GASB 31, par. 6 (GASB Cod. Sec. I60.114)]	_____	_____	_____
h. Additional or separate disclosures concerning credit risk categories for component units or funds if the credit risk to the primary government (Questions 1e and 1g) is not apparent because (a) the deposit balances of blended component units, pension (and other employee benefit) trust funds, investment trust funds, or other funds of the primary government are significant and (b) the mix of credit risk categories for those units or funds is significantly			

¹² If the government has invested in a pool managed by another government, no disclosure of the individual deposits and investments of the pool is required unless the entity owns specific, identifiable investment securities of the pool. Instead, the investment in the pool should be treated as a type of investment. [GASB 3, fn. 11, as amended by GASB 31, par. 6 (GASB Cod. Sec. I50, fn. 17)]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
different from that of other funds or blended component units of the primary government? [GASB 3, par. 70, as amended by GASB 14, GASB 31, par. 18, and GASB 34, par. 70 (GASB Cod. Secs. C20.107 and I50.127)]	_____	_____	_____
i. If unrealized investment losses reported using cost based measures in one or more component units or funds are not apparent because of unrealized investment gains in the remaining funds, the reported amount and fair value of that unit's or fund's total investments? [GASB 3, par. 71, as amended by GASB 14 and GASB 31, par. 6 (GASB Cod. Sec. I50.128)]	_____	_____	_____
j. If the amount of the entity's "uncollateralized" deposits or "uninsured, unregistered securities held by the counterparty, or by its trust department or agent but not in the entity's name" during the period significantly exceeded the amount in that category as of the financial statement date, that fact and the causes? [GASB 3, par. 73 (GASB Cod. Secs. C20.108 and I50.130)]	_____	_____	_____
k. The types of investments made during the period but not owned as of the financial statement date? [GASB 3, par. 74 (GASB Cod. Sec. I50.131)]	_____	_____	_____
l. Losses recognized during the period due to default by counterparties to deposit or investment transactions and amounts recovered from prior-period losses? [GASB 3, par. 75 (GASB Cod. Sec. C20.109 and I50.132)]	_____	_____	_____
2. For investments, do note disclosures include:			
a. The methods and significant assumptions used to estimate the fair value of investments, if that fair value is based on other than quoted market prices?	_____	_____	_____
b. The policy for determining which investments, if any, are reported at amortized cost?	_____	_____	_____
c. For any investments in external investment pools that are not SEC-registered, a brief description of any regulatory oversight for the pool and whether the fair value of the position in the pool is the same as the value of the pool shares?	_____	_____	_____
d. Any involuntary participation in an external investment pool?	_____	_____	_____
e. If an entity cannot obtain information from a pool sponsor to allow it to determine the fair value of its investment in the pool, the methods used and significant assumptions made in determining that fair value and the reasons for having had to make such an estimate?	_____	_____	_____
f. Any income from investments associated with one fund that is assigned to another fund? [GASB 31, par. 15 (GASB Cod. Sec. I50.119)]	_____	_____	_____
3. If the entity discloses (or displays, if it is a governmental external investment pool) realized gains and losses, does it also disclose that:			
a. The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments?	_____	_____	_____
b. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year(s) and the current year? [GASB 31, par. 15 (GASB Cod. Sec. I50.119)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
4. Are the following disclosures made for investments in common stock accounted for using the equity method:			
a. The name of each investee and percentage of ownership of common stock?	_____	_____	_____
b. The accounting policies relative to equity method investments?	_____	_____	_____
c. The difference, if any, between the amount at which an investment is carried and the amount of underlying equity in net assets and the accounting treatment of the difference?	_____	_____	_____
d. The aggregate fair value of each identified investment for which a quoted market price is available? [GASB 31, par. 5 (GASB Cod. Sec. I50.104); APB 18, par. 20 (AC I82.110)]	_____	_____	_____
5. If there are commitments as of the financial statement date to resell securities under yield maintenance repurchase agreements, does the entity disclose the reported amount (if applicable) and fair value as of that date of the securities to be resold and a description of the terms of the agreements (such as settlement price ranges, agreed-on yields, maturity dates, and so forth)? [GASB 3, par. 72, as amended by GASB 31, par. 6 (GASB Cod. Sec. I50.129)]	_____	_____	_____

Futures Contracts

6. If the entity enters into futures contracts that are accounted for as hedges, does it disclose:			
a. The nature of the assets, liabilities, firm commitments, or anticipated transactions that are hedged with futures contracts?	_____	_____	_____
b. Method of accounting for the futures contracts, including a description of the events or transactions that result in recognition in results of operations of changes in value of the futures contracts? [GASB 20, par. 6, as amended by GASB 34, par. 93 (GASB Cod. Sec. P80.102); GASB 34, par. 17 (GASB Cod. Sec. 1600.104); SFAS 80, par. 12 ¹³]	_____	_____	_____

Foreign Currency Translation

7. Does the entity disclose the following:			
a. The aggregate transaction gain or loss including in determining results of operations for the period?	_____	_____	_____
b. Rate changes that occur after the financial statement date and their effects on unsettled balances pertaining to foreign currency transactions, if significant?	_____	_____	_____
c. An analysis and discussion of the effect of rate changes on the reported results of operations? [GASB 20, par. 6, as amended by GASB 34, par. 93 (GASB Cod. Sec. P80.102); GASB 34, par. 17 (GASB Cod. Sec. 1600.104); SFAS 52, pars. 30, 32, 143, and 144 (AC F60.140, .142, and .143)]	_____	_____	_____

¹³ Although SFAS 80 was superseded by SFAS 133, as amended, it is not superseded for a governmental entity's funds and activities that are required to apply FASB pronouncements issued on or before November 30, 1989.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
Reverse Repurchase Agreements			
8. Do note disclosures include:			
a. The source of legal or contractual authorization for the use of reverse repurchase agreements, if those agreements were used during the period? [GASB 3, par. 76 (GASB Cod. Sec. I55.108)]	_____	_____	_____
b. Significant violations during the period of legal or contractual provisions for reverse repurchase agreements and actions taken to address such violations? ¹¹¹¹ [GASB 3, par. 77 (GASB Cod. Sec. I55.109); GASB 38, par. 9 (GASB Cod. Sec. 1200.112)]	_____	_____	_____
c. For reverse repurchase agreements other than yield maintenance agreements outstanding as of the financial statement date, the credit risk related to the agreements? (Credit risk is calculated by comparing the aggregate amount of the reverse repurchase agreement obligations including accrued interest with the aggregate fair value of the securities underlying those agreements including accrued interest.) [GASB 3, par. 78, as amended by GASB 31, par. 6 (GASB Cod. Sec. I55.110)]	_____	_____	_____
d. For commitments as of the financial statement date to repurchase securities under yield maintenance agreements, the fair value as of that date of the securities to be repurchased and a description of the terms of the agreements (such as settlement price ranges, agreed-on yields, maturity dates, and so forth)? [GASB 3, par. 79, as amended by GASB 31, par. 6 (GASB Cod. Sec. I55.111)]	_____	_____	_____
e. Losses recognized during the period due to default by counterparties to reverse repurchase agreements and amounts recovered from prior-period losses? ¹⁴ [GASB 3, par. 80 (GASB Cod. Sec. I55.112)]	_____	_____	_____
f. Whether the maturities of the investments made with the proceeds of reverse repurchase and fixed-coupon reverse repurchase agreements generally are matched to the maturities of the agreements, as well as the extent of such matching at the financial statement date? [GASB 3, par. 6 (GASB Cod. Sec. I55.113)]	_____	_____	_____

Securities Lending Transactions

9. For SLTs, are the following note disclosures included:			
a. The source of legal or contractual authorization for the use of SLTs? [GASB 28, par. 11 (GASB Cod. Sec. I60.109)]	_____	_____	_____
b. Any significant violations of those provisions that occurred during the period and actions taken to address such violations? ¹¹¹¹ [GASB 28, par. 11 (GASB Cod. Sec. I60.109); GASB 38, par. 9 (GASB Cod. Sec. 1200.112)]	_____	_____	_____

¹¹¹¹ The requirement to disclose actions taken to address significant violations is a requirement from GASB 38 that is effective when the provisions of GASB 34 are required to be implemented. However, this provision is not required to be implemented at the same time as GASB 34 if GASB 34 is early implemented. See the further discussion of the effective dates for GASB 34 and GASB 38 in FSP section 13,000.

¹⁴ Disclosure of default losses and recoveries by defined benefit pension plans does not constitute a disclosure of realized gains and losses that under GASB 25, fn. 10 (GASB Cod. Sec. Pe5, fn. 10) would require disclosure of all realized gains and losses for the period. [GASB 3, par. 5 (GASB Cod. Sec. I55, fn. 6)]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. A general description of their SLTs during the period, including:			
(1) The types of securities lent?	_____	_____	_____
(2) The types of collateral received?	_____	_____	_____
(3) Whether the government has the ability to pledge or sell collateral securities without a borrower default?	_____	_____	_____
(4) The amount by which the value of the collateral provided is required to exceed the value of the underlying securities?	_____	_____	_____
(5) Any restrictions on the amount of the loans that can be made?	_____	_____	_____
(6) Any loss indemnification provided to the entity by its securities lending agents?	_____	_____	_____
(7) The fair values and reported amounts (if different) of underlying securities at the financial statement date? [GASB 28, par. 12, as amended by GASB 31, par. 6 (GASB Cod. Sec. I60.110)]	_____	_____	_____
d. Whether the maturities of the investments made with cash collateral generally match the maturities of their securities loans, as well as the extent of such matching at the financial statement date? [GASB 28, par. 13 (GASB Cod. Sec. I60.111)]	_____	_____	_____
e. The amount of credit risk, if any, related to the SLTs at the financial statement date? (Credit risk is calculated as the aggregate of the lender's exposures to individual borrowers or on individual loans, depending on whether individual loans to the same borrower can be aggregated for purposes of offset in the event of default.)	_____	_____	_____
(1) If the governmental lender has no credit risk, is that fact stated? (Disclosure of the net amounts owed to the borrowers is not required.) [GASB 28, par. 14 (GASB Cod. Sec. I60.112)]	_____	_____	_____
f. The amount of any losses on SLTs during the period resulting from the default of a borrower or lending agent and amounts recovered from prior-period losses? ¹⁵ [GASB 28, par. 15 (GASB Cod. Sec. I60.113)]	_____	_____	_____
g. Disclosures required by GASB Cod. Sec. I50 for securities lending collateral that is reported in the financial position statements and for the underlying securities, including the reported amounts and fair values of these investments by type of investment? ^{##} [GASB 28, par. 16, as amended by GASB 31, par. 6 (GASB Cod. Sec. I60.114)]	_____	_____	_____

D. Nonexchange Transactions¹⁶

1. Do the notes disclose nonexchange transactions that are not recognizable because they are not measurable? [GASB 33, par. 11 (GASB Cod. Sec. N50.108)]	_____	_____	_____
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¹⁵ See footnote 14.

^{##} GASB 40 supersedes the custodial credit risk disclosure requirements of GASB 28, par. 16. GASB 40 is effective for financial statements for periods beginning after June 15, 2004, with earlier application encouraged. See the further discussion and questions about GASB 40 in Appendix B.

¹⁶ The Practice Tip in the subsection on nonexchange transactions in the section of this checklist titled "Assets, Liabilities, and Equity" discusses the definitions, classifications, and examples of nonexchange transactions.

Yes No N/A

Property Taxes

- 2. If, because of unusual circumstances, the facts justify an availability period greater than 60 days for the recognition of property tax revenues in governmental funds, does the entity disclose the period being used and the facts that justify it?
[NCGAI 3, par. 8 (GASB Cod. Sec. P70.104)] _____
- 3. If the entity desires to exclude some property tax revenue from appropriation to protect cash liquidity, does it report the restricted revenue in governmental funds by disclosing a designation of fund balance and an appropriate note to the financial statements?
[NCGAI 3, par. 10 (GASB Cod. Sec. P70.105)] _____
- 4. Do the notes disclose the nature and purpose of any reservation or designation of governmental fund balance relating to property taxes? _____
- 5. Do the notes disclose details of the entity's property tax calendar, including lien dates, levy dates, due dates, and collection dates?
[NCGAI 3, par. 11 (GASB Cod. Sec. P70.109)] _____

On-Behalf Payments for Fringe Benefits and Salaries

- 6. Do the notes disclose the amount of revenue recognized for on-behalf payments for fringe benefits and salaries? _____
- 7. If another organization makes contributions to a pension plan on behalf of the entity's employees for which the entity is not legally responsible, do the notes disclose the name of the plan that covers the entity's employees and the name of the other organization that makes the contributions?
[GASB 24, par. 12 (GASB Cod. Sec. N50.134)] _____

Donor-Restricted Endowments

- 8. Do the notes disclose the following information about donor-restricted endowments:
 - a. The amounts of net appreciation on investments of donor-restricted endowments that are available for authorization for expenditure by the governing board, and how those amounts are reported in net assets? _____
 - b. The state law regarding the ability to spend net appreciation? _____
 - c. The policy for authorizing and spending investment income, such as a spending-rate or total-return policy?
[GASB 34, par. 121 (GASB Cod. Sec. 2300.117)] _____

E. Capital Assets

- 1. Do the notes disclose the following information about capital assets, divided into major classes of capital assets as well as between assets associated with governmental activities and those associated with business-type activities, and between assets that are not being depreciated and those that are being depreciated:
[GASB 34, par. 116 (GASB Cod. Sec. 2300.111)] _____
 - a. Beginning- and end-of-year balances, with accumulated depreciation presented separately from historical cost? _____
 - b. Capital acquisitions? _____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. Sales or other dispositions?	_____	_____	_____
d. Current-period depreciation expense, with the amounts charged to each of the functions in the statement of activities? [GASB 34, pars. 117 and 118 (GASB Cod. Sec. 2300.112 and .113)]	_____	_____	_____
2. Do the notes disclose the method or methods used to compute depreciation for each major class of depreciable asset? [APB 12, par. 5 (AC D40.105)]	_____	_____	_____
3. For collections that are not capitalized, do the notes describe the collection and the reasons the assets are not capitalized? [GASB 34, par. 118 (GASB Cod. Sec. 2300.113)]	_____	_____	_____
4. While the entity is applying the general infrastructure asset transition provisions of GASB 34, pars. 148–150 (GASB Cod. Secs. 1400.125–.127), do the notes disclose:			
a. A description of the infrastructure assets being reported and of those that are not?	_____	_____	_____
b. A description of any eligible infrastructure assets that the government has decided to report using the modified approach? [GASB 34, par. 151 (GASB Cod. Sec. 1400.128)]	_____	_____	_____

F. Liabilities, Including Debt

Short-Term Debt

1. Do the notes disclose details about short-term debt activity during the year, even if no short-term debt is outstanding at year-end, including the following: ^{***}			
a. A schedule of changes in short-term debt, disclosing beginning- and end-of-year balances, increases, and decreases?	_____	_____	_____
b. The purpose for which the short-term debt was issued? [NCGAI 6, par. 4 (GASB Cod. Sec. 2300.107e); GASB 38, par. 12 (GASB Cod. Sec. 2300.118)]	_____	_____	_____

Long-Term Liabilities, Including Debt

2. Does the entity disclose the following information about long-term liabilities (both long-term debt, such as bonds, notes, loans, and leases payable, and other long-term liabilities, such as compensated absences and claims and judgments), divided between liabilities associated with governmental activities and those associated with business-type activities: ¹⁷ [GASB 34, par. 116 (GASB Cod. Sec. 2300.111)]	_____	_____	_____
a. Beginning- and end-of-year balances (regardless of whether prior-year data are presented on the face of the government-wide financial statements)?	_____	_____	_____
b. Increases and decreases (separately presented)?	_____	_____	_____
c. The portions of each item that are due within one year of the statement date?	_____	_____	_____

^{***} These provisions of GASB 38 are effective when the provisions of GASB 34 are required to be implemented, but are not required to be implemented at the same time as GASB 34 if GASB 34 is early implemented. See the further discussion of the effective dates for GASB 34 and GASB 38 in FSP section 13,000. Entities that early implement GASB 34 but that do not early implement GASB 38 have a disclosure requirement for short-term debt and liquidity from NCGAI 6, par. 4.

¹⁷ Information about net pension obligations should be reported in a separate pension note. [GASB 34, fn. 47 (GASB Cod. Sec. 2300, fn. 4)]. See the subsection on pensions—employer reporting in the section of this checklist titled “Specialized Topics.”

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
d. Which governmental funds typically have been used to liquidate other long-term liabilities (such as compensated absences and pension liabilities) in prior years? [GASB 34, par. 119 (GASB Cod. Sec. 2300.114)]	_____	_____	_____
3. Does the entity disclose the following details of debt service requirements to maturity: ^{†††}			
a. Principal and interest requirements to maturity, presented separately, for each of the five subsequent fiscal years and in five-year increments thereafter? (Interest requirements for variable-rate debt should be determined using the rate in effect at the financial statement date.)	_____	_____	_____
b. The terms by which interest rates change for variable-rate debt? [GASB 38, par. 10 (GASB Cod. Secs. 1500.118 and 2300.106i)]	_____	_____	_____

Interest Costs

4. Does the entity disclose the following with respect to interest cost:			
a. If no interest cost is capitalized, the amount of interest cost incurred and charged to expense during the period?	_____	_____	_____
b. If some interest cost is capitalized, the total amount of interest cost incurred and the amount capitalized? [SFAS 34, par. 21 (AC I67.118)]	_____	_____	_____

Bond, Tax, and Revenue Anticipation Notes

5. If the entity excludes bond, tax, and revenue anticipation notes from fund or current liabilities because of the provisions of NCGA Interpretation 9, do the notes disclose a general description of the financing agreement and the terms of any new obligation incurred or expected to be incurred as a result of a refinancing? [NCGAI 9, fn. 5 (GASB Cod. Sec. B50, fn. 1)]	_____	_____	_____
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Conduit Debt

6. Do disclosures about conduit debt obligations (whether or not reported in the financial statements) include:			
a. A general description of the conduit debt transactions?	_____	_____	_____
b. The aggregate amount of all conduit debt obligations outstanding at the financial statement date?	_____	_____	_____
c. A clear indication that the issuer has no obligation for the debt beyond the resources provided by related leases or loans? [GASBI 2, par. 3 (GASB Cod. Sec. C65.102)]	_____	_____	_____

Debt Refundings

7. For debt defeased through an advance or current refunding, does the entity disclose a general description of the transaction in the year of the refunding that includes, at a minimum, the difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete the refunding and the economic gain or loss resulting from the transaction? (If old fixed-rate debt is			
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^{†††} These provisions of GASB 38 are effective when the provisions of GASB 34 are required to be implemented. However, this provision is not required to be implemented at the same time as GASB 34 if GASB 34 is early implemented. See the further discussion of the effective dates for GASB 34 and GASB 38 in FSP section 13,000. Entities that early implement GASB 34 but that do not early implement GASB 38 have a disclosure requirement for debt service requirements to maturity from NCGA 1, par. 158, and NCGAI 6, par. 4.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
defeased with new variable-rate debt, additional disclosures should be made as provided in GASB 7, fn. 4 [GASB Cod. Sec. D20, fn. 7] [GASB 7, par. 11 (GASB Cod. Sec. D20.111); GASB 23, par. 6 (GASB Cod. Sec. D20.115)]	_____	_____	_____
8. For debt defeased through an advance refunding, does the entity disclose the amount of that debt, if any, outstanding at the financial statement date? [GASB 7, par. 14 (GASB Cod. Sec. D20.114)]	_____	_____	_____

Demand Bonds

9. Do disclosures for demand bonds outstanding include:			
a. A general description of the demand bond program?	_____	_____	_____
b. Terms of any letters of credit or other standby liquidity agreements outstanding, commitment fees to obtain the letters of credit, and any amounts drawn on them outstanding as of the financial statement date?	_____	_____	_____
c. A description of the take out agreement including its expiration date, commitment fees to obtain that agreement, and the terms of any new obligation under the take out agreement?	_____	_____	_____
d. The debt service requirements that would result if the take out agreement were to be exercised? [GASBI 1, par. 11 (GASB Cod. Sec. D30.111)]	_____	_____	_____

Troubled Debt Restructuring

10. 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)]	_____	_____	_____

G. Contingencies and Commitments

1. Do the notes disclose contingent liabilities not requiring accrual, including guarantees, such as situations in which the entity is contingently liable for proprietary fund or trust fund indebtedness (for example, through a general obligation backing on enterprise fund debt)? ¹⁸ [NCGA 1, par. 46, as amended by NCGA 4, par. 14, and GASB 10, par. 58 (GASB Cod. Secs. 1500.114 and 2600.106d); SFAS 5, par. 12 (AC C59.113); FASBI 34, pars. 2 and 3; FASBI 45, pars. 17 and 18 (AC C59.114 and G80.116) ¹⁹]	_____	_____	_____
2. For unconditional purchase obligations that have not been recognized on the entity's financial position statement(s), do the notes disclose:			
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 financial position statement in			

¹⁸ See also the subsection on risk financing and related financing issues—entities other than risk pools in the section of this checklist titled "Specialized Topics."

¹⁹ Although FASBI 34 was superseded by FASBI 45, it is not superseded for a governmental entity's funds and activities that are required to apply FASB pronouncements issued on or before November 30, 1989. Further, the provisions of FASBI 45, pars. 17 and 18, are substantially the same as those of FASBI 34, pars. 2 and 3. [AC C59.114 and G80.116]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
the aggregate and, if determinable, for each of the five succeeding fiscal years?	_____	_____	_____
c. The nature of any variable components of the obligation(s)?	_____	_____	_____
d. The amounts purchased under the obligation(s) (for example, the take-or-pay or throughput contract) for each period for which an activity statement is presented? [SFAS 47, par. 7 (AC C32.102)]	_____	_____	_____
3. Does the entity disclose unused letters of credit, assets pledged as security for loans, and construction and other significant commitments? ²⁰ [NCGA 1, par. 158, as amended by NCGAI 6, par. 4 (GASB Cod. Sec. 2300.106k); SFAS 5, pars. 18 and 19 (AC C59.120)]	_____	_____	_____
4. Does the entity disclose conditions that raise a question about its ability to continue in existence for a reasonable period of time, and viable plans to overcome these difficulties? [SAS 59, par. 10 (AU 341.10)]	_____	_____	_____
5. Does the entity adequately disclose gain contingencies, with care to avoid any misleading implications about the likelihood of realization? [SFAS 5, par. 17 (AC C59.118)]	_____	_____	_____

H. Joint Costs That Include Fund Raising

1. If the entity allocates joint costs among fund raising and other functions, does it disclose:			
a. The types of activities for which joint costs have been incurred?	_____	_____	_____
b. A statement that such costs have been allocated?	_____	_____	_____
c. The total amount allocated during the period and the portion allocated to each functional expense category?	_____	_____	_____
d. The amount of joint costs for each kind of joint activity (encouraged but not required)? [SOP 98-2, pars. 18 and 19]	_____	_____	_____

I. Segment Disclosures

1. Does the entity make segment disclosures for each identifiable activity (or grouping of activities) reported as or within an enterprise fund or an other stand-alone entity that use enterprise fund accounting and reporting standards; and that has one or more bonds or other debt instruments (such as certificates of participation) outstanding, with a revenue stream pledged in support of that debt and an externally imposed requirement to account for the activity's revenues, expenses, gains and losses, assets, and liabilities separately? ²¹	_____	_____	_____
2. Do disclosures for each segment:			
a. Identify the types of goods and services provided?	_____	_____	_____
b. Present a condensed statement of net assets, including:			
(1) Total assets, distinguishing between current assets, capital assets, and other assets (with amounts receivable from other funds or component units reported separately)?	_____	_____	_____

²⁰ Commitments are existing arrangements to enter into future transactions or events. [AAG-SLV, par. 8.82]

²¹ Segment disclosures are not required for an activity whose only outstanding debt is conduit debt for which the government has no obligation beyond the resources provided by related leases or loans. In addition, segment reporting is not required when an individual fund both is a segment and is reported as a major fund. [GASB Cod. Sec. 2500, fn. 1 (GASB 34, fn. 48)]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(2) Total liabilities, distinguishing between current and long-term amounts (with amounts payable to other funds or component units reported separately)?	_____	_____	_____
(3) Total net assets, distinguishing among restricted (separately reporting expendable and nonexpendable components); unrestricted; and amounts invested in capital assets, net of related debt?	_____	_____	_____
c. Present a condensed statement of revenues, expenses, and changes in net assets, including:			
(1) Operating revenues (by major source)?	_____	_____	_____
(2) Operating expenses, with depreciation, including any amortization, identified separately?	_____	_____	_____
(3) Operating income (loss)?	_____	_____	_____
(4) Nonoperating revenues (expenses), with separate reporting of major revenues and expenses?	_____	_____	_____
(5) Capital contributions and additions to permanent and term endowments?	_____	_____	_____
(6) Special and extraordinary items?	_____	_____	_____
(7) Transfers?	_____	_____	_____
(8) Change in net assets?	_____	_____	_____
(9) Beginning net assets?	_____	_____	_____
(10) Ending net assets?	_____	_____	_____
d. Present a condensed statement of cash flows, including:			
(1) Net cash provided (used) by:			
(a) Operating activities?	_____	_____	_____
(b) Noncapital financing activities?	_____	_____	_____
(c) Capital and related financing activities?	_____	_____	_____
(d) Investing activities?	_____	_____	_____
(2) Beginning cash and cash equivalent balances?	_____	_____	_____
(3) Ending cash and cash equivalent balances? [GASB 34, par. 122, as amended by GASB 37, par. 17 (GASB Cod. Sec. 2500.101)]	_____	_____	_____

J. Subsequent Events

1. Are the financial statements adjusted for any changes in estimates resulting from subsequent events that provide additional information about conditions that existed at the financial statement date?
[NCGA 4, pars. 9 and 14, as amended by GASB 10 (GASB Cod. Sec. C50.149); GASB 10, par. 53 (GASB Cod. Sec. C50.110); SFAS 5, par. 8 (AC C59.105); SAS 1, sec. 560, pars. 3, 4, and 7 (AU 560.03, .04, and .07)]
2. If after the financial statement date but before the financial statements are issued, information becomes available indicating that an asset was impaired or a liability was incurred after the financial statement date (or that there is at least a reasonable possibility that an asset was impaired or a liability was incurred after that date), does the entity disclose the nature of the loss or loss contingency and give an estimate of the amount or range of loss or possible loss or state that such an estimate cannot be made? (In some cases, disclosure may best be made by presenting pro

forma financial data giving effect to the loss as if it had occurred at the financial statement date.)

[GASB 10, par. 80 (GASB Cod. Secs. 2300.106f and C50.148); SFAS 5, par. 11 (AC C59.112); SAS 1, sec. 560, pars. 5–7 and 9 (AU 560.05–.07 and .09)]

Yes No N/A

K. Related Parties, Including Component Units

1. For the separately issued financial statements of a component unit, do the financial statements:

a. Acknowledge that it is a component unit of another government?

b. Identify in the notes to the financial statements the primary government in whose financial reporting entity it is included and describe its relationship with the primary government?

[GASB 14, par. 65 (GASB Cod. Sec. 2600.124)]

2. If a voting majority of the governing board of a stand-alone government is appointed by a primary government, does the stand-alone government disclose that accountability relationship in its financial statements?

[GASB 14, par. 66 (GASB Cod. Sec. 2600.125)]

3. Does the primary government disclose in the notes to the financial statements the nature of its accountability for related organizations? (Groups of related organizations with similar relationships with the primary government may be summarized for purposes of the disclosure.)

4. Do the financial statements of a related governmental organization disclose the primary government that is accountable for it and describe its relationship with that primary government?

[GASB 14, par. 68 (GASB Cod. Sec. 2600.127)]

5. Do the notes disclose, for each major component unit, the nature and amount of significant transactions with the primary government and other component units?

[GASB 34, par. 128 (GASB Cod. Sec. 2600.110)]

6. Do the notes disclose the following information about related-party transactions?

a. The nature of the relationship(s)?

b. A description of the transactions, including transactions to which no amount or nominal amounts were ascribed, and such other information deemed necessary to understand the effects of the transactions on the financial statements?

c. The dollar amounts of transactions for each of the periods for which results of operations are presented and the effects of any change in the method of establishing the terms from that used in the preceding period?

d. Amounts due from or to related parties as of the date of each financial position statement presented and, if not otherwise apparent, the terms and manner of settlement?

[NCGAI 6, par. 5 (GASB Cod. Sec. 2300.107f); SFAS 57, par. 2 (AC R36.102); SAS 45, pars. 11 and 12 (AU 334.11 and .12); AAG-SLV, par. 13.12]

e. The nature and extent of leasing transactions with related parties?

[NCGA 5, par. 27 (GASB Cod. Sec. L20.125); SFAS 13, par. 29 (AC L10.125)]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
L. Other Disclosures			
1. Do the notes disclose: ^{##}			
a. Details about balances of receivables and payable when significant components of those accounts have been obscured by the aggregation of those accounts in the financial position statements?	_____	_____	_____
b. Significant receivable balances not expected to be collected within one year of the financial statement date? [GASB 38, par. 13 (GASB Cod. Sec. 2300.119)]	_____	_____	_____
c. The following details about interfund balances reported in the fund financial statements:			
(1) Amounts due from other funds by individual major fund, nonmajor governmental funds in the aggregate, nonmajor enterprise funds in the aggregate, internal service funds in the aggregate, and fiduciary fund type?	_____	_____	_____
(2) The purpose for interfund balances?	_____	_____	_____
(3) Interfund balances that are not expected to be repaid within one year from the financial statement date? [NCGA1, par. 158, as amended by NCGAI 6, par. 4 (GASB Cod. Sec. 2300.106o); GASB 38, par. 14 (GASB Cod. Sec. 2300.120)]	_____	_____	_____
d. The following details about interfund transfers reported in the fund financial statements:			
(1) Amounts transferred from other funds by individual major fund, nonmajor governmental funds in the aggregate, nonmajor enterprise funds in the aggregate, internal service funds in the aggregate, and fiduciary fund type?	_____	_____	_____
(2) A general description of the principal purposes of the government's interfund transfers?	_____	_____	_____
(3) The intended purpose and the amount of significant transfers that do not occur on a routine basis or that are inconsistent with the activities of the fund making the transfer? [NCGA1, par. 158, as amended by NCGAI 6, par. 4 (GASB Cod. Sec. 2300.106o); GASB 38, par. 15 (GASB Cod. Sec. 2300.121)]	_____	_____	_____
e. Significant violations of finance-related legal or contractual provisions and actions taken to address such violations? [NCGA 1, par. 11, as amended by GASB 38, par. 9 (GASB Cod. Sec. 1200.112)]	_____	_____	_____
f. Detailed explanations if aggregated information in the summary reconciliation between the fund and government-wide financial statements obscures the nature of the individual elements of a particular reconciling item? [GASB 34, par. 77 (GASB Cod. Secs. 2200.151 and P80.109)]	_____	_____	_____

^{##} The provisions of GASB 38 in items *a* through *d* are effective when the provisions of GASB 34 are required to be implemented, but are not required to be implemented at the same time as GASB 34 if GASB 34 is early implemented. See the further discussion of the effective dates for GASB 34 and GASB 38 in FSP section 13,000. Entities that early implement GASB 34 but that do not early implement GASB 38 have a disclosure requirement for interfund receivables and payables from NCGA 1, par. 158, and NCGAI 6, par. 4.

^{|||||} The requirement to disclose actions taken to address significant violations is a requirement from GASB 38 that is effective when the provisions of GASB 34 are required to be implemented. However, this provision is not required to be implemented at the same time as GASB 34 if GASB 34 is early implemented. See the further discussion of the effective dates for GASB 34 and GASB 38 in FSP section 13,000.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
g. Any significant transactions or other events that are either unusual or infrequent but not within the control of management? In the governmental funds, such transactions or events alternatively may be separately identified within the appropriate revenue or expenditure category in the statement of revenues, expenditures, and changes in fund balances.) [GASB 34, par. 56 (GASB Cod. Secs. 1800.130 and 2200.141); GASB 34, par. 89 (GASB Cod. Sec. 1800.131)]	_____	_____	_____
h. Deficit fund balance or net assets of individual nonmajor funds? [NCGAI 6, par. 4, as amended by GASB 34 (GASB Cod. Sec. 2300.106n)]	_____	_____	_____

VII. Specialized Topics

A. Organizational Relationships, Including Component Units and Joint Ventures Component Units²²

1. If the financial statements present only the data of the primary government, do they acknowledge that they do not include the data of the component units necessary for reporting in conformity with GAAP? [GASB 14, par. 64 (GASB Cod. Sec. 2600.123)]	_____	_____	_____
2. Does the government’s intent in owning a majority of the voting stock of a for-profit corporation determine whether the corporation is presented as a component unit or an investment of the primary government? [GASB 14, pars. 55 and 73 (GASB Cod. Sec. 2600.115)]	_____	_____	_____
3. Is certain information about each major component units, except for those that are fiduciary in nature, and the aggregate of nonmajor component units provided by presenting one of the following:			
a. Presenting each major component unit in a separate column in the reporting entity’s government-wide financial statements, with nonmajor component units aggregated in a single column?	_____	_____	_____
b. Including combining statements of major component units in the reporting entity’s basic statements after the fund financial statements, with nonmajor component units aggregated in a single column?	_____	_____	_____
c. Presenting condensed financial statements in the notes to the reporting entity’s financial statements? [GASB 14, par. 51, as amended by GASB 34, par. 126 and fns. 49 and 50 (GASB Cod. Sec. 2600.108)]	_____	_____	_____
4. If the entity chooses to present component unit information in the notes (Question 3c), are these details presented, at a minimum, for each major component units and the aggregate of nonmajor component units:			
a. Condensed statement of net assets:			
(1) Total assets—distinguishing between capital assets and other assets (with amounts receivable from the primary government or from other component units reported separately)?	_____	_____	_____
(2) Total liabilities—distinguishing between long-term debt outstanding and other liabilities (with amounts payable to the			

²² The requirements of GASB 14 should be applied in the separately issued financial statements of governmental component units and stand-alone governments as if they were primary governments. [GASB 14, pars. 65 and 66 (GASB Cod. Secs. 2600.124 and .125)]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
primary government or to other component units reported separately)?	_____	_____	_____
(3) Total net assets—distinguishing between restricted, unrestricted, and amounts invested in capital assets, net of related debt?	_____	_____	_____
<i>b.</i> Condensed statement of activities:			
(1) Expenses (by major functions and for depreciation expense, if separately reported)?	_____	_____	_____
(2) Program revenues (by type)?	_____	_____	_____
(3) Net program (expense) revenue?	_____	_____	_____
(4) Tax revenues?	_____	_____	_____
(5) Other nontax general revenues?	_____	_____	_____
(6) Contributions to endowments and permanent fund principal?	_____	_____	_____
(7) Special and extraordinary items?	_____	_____	_____
(8) Change in net assets?	_____	_____	_____
(9) Beginning net assets?	_____	_____	_____
(10) Ending net assets? [GASB 34, par. 127 and fn. 50 (GASB Cod. Sec. 2600.108 and .109)]	_____	_____	_____
5. If transactions between component units that have different fiscal years result in inconsistencies in amounts reported as due to or due from, and so forth, are the nature and amount of those transactions disclosed in the notes to the financial statements? [GASB 14, par. 60, as amended by GASB 34, par. 61 (GASB Cod. Sec. 2600.119)]	_____	_____	_____
6. If the fiscal year of a component unit included in the reporting entity is not consistent from year to year, are changes in fiscal years disclosed? [GASB 14, par. 60 (GASB Cod. Sec. 2600.119)]	_____	_____	_____

Joint Ventures and Jointly Governed Organizations

Practice Tip

These questions apply to an entity’s participation in a joint venture or jointly controlled organization as defined in GASB 14, par. 69 (GASB Cod. Sec. J50.102). If an organization has several participants, but one participating government appoints a voting majority of the organization’s governing body (and joint control is precluded because that participant has the power to make decisions unilaterally), the organization is either a component unit or a related organization of that participating government and should be reported in that participating government’s financial statements as such. However, the other (minority) participants should report their participation in the organization as indicated in Questions 7 through 12 below.
[GASB 14, par. 78 (GASB Cod. Sec. J50.112)]

7. In proprietary funds that participate in joint ventures in which there is an equity interest:			
<i>a.</i> Is the “investment in joint venture” account, representing the proprietary fund’s equity interest, reported in the proprietary fund’s statement of net assets as a single amount?	_____	_____	_____
<i>b.</i> Is the fund’s share of the joint venture’s change in net assets reported in its statement of revenues, expenses, and changes in fund net assets as a single amount? [GASB 14, par. 73, as amended by GASB 34, par. 91 (GASB Cod. Sec. J50.106)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
8. In governmental funds that participate in joint ventures in which there is an equity interest:			
a. Are amounts reported in the balance sheet limited to amounts appropriately reported under the current financial resources measurement focus (and thus not include equity in capital assets)?	_____	_____	_____
b. Are amounts reported in the statement of revenues, expenditures, and changes in fund balances limited to amounts received or receivable from or paid or payable to the joint venture and that satisfy the revenue or expenditure recognition criteria for governmental funds? [GASB 14, par. 74 (GASB Cod. Sec. J50.107)]	_____	_____	_____
9. In the government-wide financial statements, are equity interests in joint ventures reported in the same manner as in proprietary funds? (See Question 7.) [GASB 34, par. 16 (GASB Cod. Sec. J50.108)]	_____	_____	_____
10. For all joint ventures (regardless of whether there is an equity interest), does the entity disclose a general description, including:			
a. A description of the participating government’s ongoing financial interest (including its equity interest, if applicable) or ongoing financial responsibility?	_____	_____	_____
b. Enough information to allow the reader to evaluate whether the joint venture is accumulating significant financial resources or is experiencing fiscal stress that may cause an additional financial benefit or burden on the participating government in the future?	_____	_____	_____
c. Information about the availability of separate financial statements of the joint venture?	_____	_____	_____
d. Required information about related-party transactions? [GASB 14, par. 75 (GASB Cod. Sec. J50.109)]	_____	_____	_____
11. For jointly governed organizations, has the entity disclosed required information about related-party transactions? [GASB 14, par. 77 (GASB Cod. Sec. J50.111)]	_____	_____	_____
12. For joint building or finance authorities, if the capital assets are leased back to the participating government, does the government report its respective shares of the assets, liabilities, and operations of the joint venture by using capital lease accounting and disclosures rather than by reporting a participant’s equity interest (if any) in the joint authority or by making joint venture disclosures? [GASB 14, par. 76 (GASB Cod. Sec. J50.110)]	_____	_____	_____
13. When a joint venture or jointly governed organization is included as a component unit in the majority participant’s financial reporting entity, does the joint venture or jointly governed organization report any equity interests of the minority participants as “reserved for minority interests”? [GASB 14, par. 78 (GASB Cod. Sec. J50.112)]	_____	_____	_____

Undivided Interests

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

- | | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|--|------------|-----------|------------|
| 15. If a separate organization is created in which there is both an undivided interest in specific assets and liabilities and equity interests in the other net resources of the organization (a hybrid arrangement), does the participant report using the guidance for both undivided interests and joint ventures?
[GASB 14, par. 80 (GASB Cod. Sec. J50.114)] | _____ | _____ | _____ |

B. Derivatives²³

- | | | | |
|---|-------|-------|-------|
| 1. Are the following disclosures made for derivatives that are not reported at fair value on the statement of net assets? (Disclosure information for similar derivative types may be aggregated.)
[GTB 03-1, par. 5 (GASB Cod. Sec. 2300.601)] | _____ | _____ | _____ |
| a. The entity's objective for entering into the derivative, the context needed to understand that objective, and its strategies for achieving the objective, indicating the types of derivatives used?
[GTB 03-1, par. 6 (GASB Cod. Sec. 2300.601)] | _____ | _____ | _____ |
| b. The significant terms of the transaction, including notional, face, or contract amount; underlying indexes or interest rates, including terms such as caps, floors, or collars; options embedded in the derivatives; the date when the derivative became effective and when it is scheduled to terminate or mature; and the amount of cash paid or received when the derivative was initiated?
[GTB 03-1, par. 7 (GASB Cod. Sec. 2300.601)] | _____ | _____ | _____ |
| c. The fair value of the derivative as of the financial statement date and, if that fair value is based on other than quoted market prices, the method and significant assumptions used to estimate the fair value of the derivative unless the fair value is developed by a pricing service that considers the assumptions to be proprietary?
[GTB 03-1, par. 8 (GASB Cod. Sec. 2300.601)] | _____ | _____ | _____ |
| d. If the derivative is entered into with the intention of effectively making the entity's debt obligation carry a synthetic interest rate, the derivative's net cash flow and the debt service requirements of the associated debt?
[GTB 03-1, par. 9 (GASB Cod. Sec. 2300.601)] | _____ | _____ | _____ |
| e. Details about the entity's exposure, where applicable, to credit risk, interest rate risk, basis risk, termination risk, rollover risk, and market-access risk as of the financial reporting date, as GTB 03-1, par. 10, defines those risks and discusses the required details?
[GTB 03-1, par. 6 (GASB Cod. Sec. 2300.601)] | _____ | _____ | _____ |

C. Escheat Property

- | | | | |
|--|-------|-------|-------|
| 1. Is escheat property generally reported as an asset in the governmental or proprietary fund to which the property ultimately escheats? (Escheat property held for individuals, private organizations, or another government should be reported in a private-purpose trust fund or an agency fund, as appropriate, or in the governmental or proprietary fund in which escheat property is otherwise reported.)
[GASB 34, par. 72, and GASB 37, par. 3 (GASB Cod. Sec. E70.102)] | _____ | _____ | _____ |
| 2. When escheat property is reported in governmental or proprietary funds, is escheat revenue reduced and a governmental or proprietary | | | |

²³ GTB 03-1 adopts the definition of *derivative* from SFAS 133, par. 6, as amended. [GTB 03-1, par. 3 (GASB Cod. Sec. 2300.601)]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
fund liability reported to the extent that it is probable that escheat property will be reclaimed and paid to claimants? [GASB 37, par. 3 (GASB Cod. Sec. E70.103)]	_____	_____	_____

D. Governmental External Investment Pools

Separate or Stand-Alone Financial Reports

- | | | | |
|---|-------|-------|-------|
| 1. Does the pool report include an MD&A, a statement of net assets, a statement of changes in net assets, notes to the financial statements, and RSI other than MD&A, as applicable? (A statement of cash flows is not required.)
[GASB 31, par. 17, and GASB 34, par. 139 (GASB Cod. Sec. In5.103)] | _____ | _____ | _____ |
| 2. Does the report apply all applicable GASB pronouncements? ²⁴ | _____ | _____ | _____ |
| 3. Do the report’s notes to the financial statements disclose: | | | |
| a. A brief description of any regulatory oversight (including whether the pool is registered with the SEC as an investment company)? | _____ | _____ | _____ |
| b. The frequency of determining the fair value of investments? | _____ | _____ | _____ |
| c. The method used to determine participants’ shares sold and redeemed and whether that method differs from the method used to report investments? | _____ | _____ | _____ |
| d. Whether the pool sponsor has provided or obtained any legally binding guarantees during the period to support the value of shares? | _____ | _____ | _____ |
| e. The extent of involuntary participation in the pool, if any? | _____ | _____ | _____ |
| f. A summary of the fair value, the carrying amount (if different from fair value), the number of shares or the principal amount, ranges of interest rates, and maturity dates of each major investment classification? | _____ | _____ | _____ |
| g. The accounting policy for defining each component of investment income if the report distinguishes among different components (for example, interest, dividend, and other income versus the net increase or decrease in the fair value of investments)?
[GASB 31, par. 17 (GASB Cod. Sec. In5.103)] | _____ | _____ | _____ |

Sponsoring Government’s Financial Report

- | | | | |
|---|-------|-------|-------|
| 4. Is the external portion of each sponsored pool reported as a separate investment trust fund?
[GASB 31, par. 18, as amended by GASB 34, par. 71 (GASB Cod. Sec. I50.116)] | _____ | _____ | _____ |
| 5. Is the equity position of each of the sponsor’s funds or component units (the internal portion) reported as assets in those funds and component units?
[GASB 31, pars. 14 and 18 (GASB Cod. Sec. I50.112 and .116)] | _____ | _____ | _____ |
| 6. Is the difference between the external pool assets and liabilities captioned “net assets held in trust for pool participants”?
[GASB 31, par. 18 (GASB Cod. Sec. I50.116)] | _____ | _____ | _____ |
| 7. Do the notes disclose how to obtain the pool’s separate report, if one is issued? | _____ | _____ | _____ |

²⁴ See, in particular, the subsections on cash, investments, and investment-related activity in the sections of this checklist titled “Assets, Liabilities, and Equity” and “Note Disclosures” and the subsection on derivatives earlier in this section of this checklist.

- | | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|--|------------|-----------|------------|
| 8. If the pool does not issue a separate report, does the sponsoring government's report disclose: | | | |
| a. The disclosures required for a separate or stand-alone pool report indicated in Question 3 above? | _____ | _____ | _____ |
| b. The disclosures required by GASB Cod. Secs. C20, I50, I55, and I60, and other cash and investment standards? (See the subsection on cash, investments, and investment-related activity in the section of this checklist titled "Note Disclosures" and the subsection on derivatives in this section of this checklist.)
[GASB 31, par. 19 (GASB Cod. Sec. I50.117)] | _____ | _____ | _____ |
| c. Condensed statements of fiduciary net assets and changes in fiduciary net assets? (If a pool includes both internal and external investors, those condensed financial statements should include, in total, the net assets held in trust for all pool participants, and the equity of participants should distinguish between internal and external portions.)
[GASB 31, par. 19, as amended by GASB 34, par. 106 (GASB Cod. Sec. I50.117)] | _____ | _____ | _____ |

E. Landfill Closure and Postclosure Care Costs

- | | | | |
|--|-------|-------|-------|
| 1. Are assets, liabilities, revenues, and expenses related to municipal solid waste landfills (MSWLFs) reported in the government-wide financial statements?
[GASB 34, par. 16 (GASB Cod. Sec. L10.110)] | _____ | _____ | _____ |
| 2. Are assets, liabilities, revenues, and expenses related to MSWLFs reported in the proprietary fund financial statements?
[GASB 18, par. 7, as amended by GASB 34, par. 6 (GASB Cod. Sec. L10.106); GASB 18, pars. 8 and 9 (GASB Cod. Sec. L10.107 and .108)] | _____ | _____ | _____ |
| 3. For MSWLF activities reported in governmental funds, are long-term liabilities for closure and postclosure care costs not reported as expenditures and liabilities in the governmental funds but only as expenses and liabilities in the governmental activities column in the government-wide statement of net assets? (Liabilities for landfill closure and postclosure care costs are normally liquidated with expendable available financial resources, and a governmental fund liability and expenditure should be recognized, as payments come due each period upon receipt of goods and services used in the closing and postclosure care processes.)
[GASB 18, par. 10, as amended by GASB 34, par. 82, and GASBI 6, par. 14 (GASB Cod. Sec. L10.109)] | _____ | _____ | _____ |
| 4. In the proprietary fund and government-wide financial statements, are equipment and facilities included in the estimated total current cost of closure and postclosure care not reported as capital assets? (Those costs and the final cover should be reported as a reduction of the accrued liability for MSWLF closure and postclosure care.)
[GASB 18, par. 8 (GASB Cod. Sec. L10.107); GASB 34, par. 16 (GASB Cod. Sec. L10.110)] | _____ | _____ | _____ |
| 5. In the governmental fund financial statements, are acquisitions of equipment and facilities included in the estimated total current cost of closure and postclosure care reported as closure and postclosure care expenditures?
[GASB 18, par. 11 (GASB Cod. Sec. L10.109)] | _____ | _____ | _____ |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
6. Are amounts placed with a third-party trustee or in a surety standby trust for MSWLF closure, postclosure care, and remediation reported in the fund used to report landfill operations and identified by a description such as "amounts held by trustee"?	_____	_____	_____
7. Are investment earnings on amounts set aside to finance closure and postclosure care reported as revenue, not as reductions of the estimated total current cost of MSWLF closure and postclosure care and related accrued liability? [GASB 18, par. 15 (GASB Cod. Sec. L10.113)]	_____	_____	_____
8. If the government has transferred its responsibility for MSWLF closure and postclosure care to another entity but remains contingently liable for that care under applicable federal, state, or local laws or regulations, and it appears that the assuming entity will not be able to meet its obligations and it is probable that the government will be required to pay closure and postclosure care costs, does the government report the obligation as provided above? [GASB 18, par. 16, as amended by GASB 34, par. 82, and GASB 35, par. 5 (GASB Cod. Sec. L10.114)]	_____	_____	_____
9. Do the notes to the financial statements disclose:			
a. The nature and source of landfill closure and postclosure care requirements (federal, state, or local laws or regulations)?	_____	_____	_____
b. That recognition of a liability for closure and postclosure care costs is based on landfill capacity used to date?	_____	_____	_____
c. The reported liability for closure and postclosure care at the financial statement date and the estimated total current cost of closure and postclosure care remaining to be recognized?	_____	_____	_____
d. The percentage of landfill capacity used to date and estimated remaining landfill life in years?	_____	_____	_____
e. How closure and postclosure care financial assurance requirements, if any, are being met and any assets restricted for payment of closure and postclosure care costs?	_____	_____	_____
f. The nature of the estimates and the potential for changes due to inflation or deflation, technology, or applicable laws or regulations? [GASB 18, par. 17 (GASB Cod. Sec. L10.115)]	_____	_____	_____

F. Leases

1. Does the entity apply the criteria of SFAS 13, <i>Accounting for Leases</i> , as amended and interpreted, to its lease agreements (except for operating leases with scheduled rent increases and leases between governments and public authorities that are part of the primary government for financial reporting purposes [see Question 2 below]), subject to the accounting and financial reporting distinctions of governmental funds? [NCGA 5, par. 11, as amended by GASB 13, pars. 5 and 6, and GASB 34, par. 69 (GASB Cod. Sec. L20.103); NCGA 5, par. 24 (GASB Cod. Sec. L20.121); GASB 14, par. 58 (GASB Cod. Secs. 2600.117 and L20.121)]	_____	_____	_____
2. If a public authority is part of a primary government for financial reporting purposes (because it has no separate legal standing or because it is a blended component unit), and there is a lease agreement between the primary government and the authority, is the authority's debt and assets reported as a form of the primary government's debt			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
and assets? (For example, the leased assets should be reported as general capital assets in the government-wide statement of net assets, related debt should be reported as a general long-term liability in the government-wide statement of net assets, and the debt service activity of the public authority should be reported as a debt service activity of the primary government.) [NCGA 5, par. 23, as amended by GASB 14 (GASB Cod. Sec. L20.120); NCGA 5, par. 24, and GASB 34, pars. 80 and 82 (GASB Cod. Sec. L20.121); GASB 14, par. 58 (GASB Cod. Secs. 2600.117 and L20.121)]	_____	_____	_____
3. Are lease receivables and payables associated with capital lease arrangements between the primary government and public authorities reported as discretely presented component units (or between those component units) not combined with other amounts due to/from component units or with capital lease receivables and payables with organizations outside the reporting entity? [GASB 14, par. 58 (GASB Cod. Secs. 2600.117 and L20.122)]	_____	_____	_____
Lessors			
4. If a capital lease is accounted for in a governmental fund, is an other financing source reported for the portion of the lease receivable that is measurable and available and is the noncurrent receivable reported in the fund, offset by deferred revenue? [NCGA 5, pars. 10 and 15, as amended by GASB 34, par. 88 (GASB Cod. Sec. L20.114)]	_____	_____	_____
5. If an operating lease with scheduled rent increases is accounted for in a governmental fund, is the accrued receivable in the fund offset by deferred revenue for the portion not yet recognized as revenue? [GASB 13, par. 9 (GASB Cod. Sec. L20.108)]	_____	_____	_____
6. Does the entity make the disclosures required by SFAS 13, as amended and interpreted, including: ²⁵ [NCGA 5, par. 27 (GASB Cod. Sec. L20.125)]			
a. For all leases, a general description of the lessor's leasing arrangements? [SFAS 13, par. 23 (AC L10.119c)]	_____	_____	_____
b. For sales-type and direct financing leases:			
(1) Specific components of the net investment in the leases as of the date of each financial position statement presented?	_____	_____	_____
(2) Future minimum lease payments to be received for each of the five succeeding fiscal years as of the date of the latest financial position statement presented?	_____	_____	_____
(3) Total contingent rentals included in operations for each period for which an activity statement is presented? [SFAS 13, par. 23, as amended by SFAS 91, par. 25 (AC L10.119a)]	_____	_____	_____
c. For operating leases:			
(1) The cost and carrying amount, if different, of property on lease or held for leasing by major classes of property according to nature or function, and the amount of accumulated			

²⁵ Disclosures required by SFAS 13 are required when leasing, exclusive of leveraged leasing, is a significant part of the lessor's business activities in terms of revenue, net income, or assets. [SFAS 13, par. 23 (AC L10.119)]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
depreciation in total as of the date of the latest financial position statement presented?	_____	_____	_____
(2) Minimum future rentals on noncancelable leases as of the date of the latest financial position statement presented, in the aggregate and for each of the five succeeding fiscal years?	_____	_____	_____
(3) Total contingent rentals included in operations for each period for which an activity statement is presented? [SFAS 13, par. 23 (AC L10.119b)]	_____	_____	_____
d. For leveraged leases, the disclosures provided for in SFAS 13, paragraph 47? [SFAS 13, par. 47 (AC L10.149)]	_____	_____	_____

*Lessees*²⁶

7. Are capital leases that represent the acquisition or construction of a general capital asset reported as expenditures and other financing sources in a governmental fund? (General capital assets and general long-term liabilities arising from governmental fund capital leases should be reported only in the governmental activities column in the government-wide statement of net assets.) [NCGA 5, par. 14, as amended by GASB 34, pars. 80 and 82 (GASB Cod. Secs. 1800.112 and L20.113)]	_____	_____	_____
a. Are subsequent governmental fund lease payments accounted for consistently with GASB Cod. Sec. 1600.120 and .121 standards for general obligation debt? [NCGA 5, par. 14 (GASB Cod. Sec. L20.113)]	_____	_____	_____
8. Are capital lease obligations separately identified in the applicable financial position statements and subject to the same considerations as other obligations in classifying them with current and noncurrent liabilities in classified financial position statements? [SFAS 13, par. 13 (AC L10.112a(5))]	_____	_____	_____
9. Are accrued liabilities for operating leases with scheduled rent increases reported in the government-wide and proprietary and fiduciary fund financial statements, but only reported in the governmental fund financial statements to the extent the liabilities are "normally expected to be liquidated with expendable available financial resources"? [GASB 13, pars. 7 and 9, as amended by GASB 34 (GASB Cod. Sec. L20.107 and .108)]	_____	_____	_____
10. Does the entity disclose the future minimum payments for each of the five subsequent fiscal years and in five-year increments thereafter for its obligations under capital and noncancelable operating leases? ^{###} [NCGA5, par. 27, as amended by GASB 38, par. 11 (GASB Cod. Sec. L20.125)]	_____	_____	_____

²⁶ Governments also are required to disclose information about changes in long-term liabilities, including leases payable, as indicated in a question in the subsection on liabilities, including debt, in the section of this checklist titled "Note Disclosures."

^{###} This provision of GASB 38 is effective when the provisions of GASB 34 are required to be implemented. However, this provision is not required to be implemented at the same time as GASB 34 if GASB 34 is early implemented. See the further discussion of the effective dates for GASB 34 and GASB 38 in FSP section 13,000. Entities that early implement GASB 34 but that do not early implement GASB 38 have a disclosure requirement for future minimum payments for its obligations under capital and noncancelable operating leases from NCGA 5, par. 27, and SFAS 13, pars. 16a and 16b.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
11. Does the entity make the disclosures required by SFAS 13, as amended and interpreted, including: [NCGA 5, par. 27 (GASB Cod. Sec. L20.125)]			
a. For all leases, a general description of the lessee's leasing arrangements including, but not limited to:			
(1) The basis on which contingent rental payments are determined?	_____	_____	_____
(2) The existence and terms of renewal or purchase options and escalation clauses?	_____	_____	_____
(3) Restrictions imposed by lease agreements, such as those concerning dividends, additional debt, and further leasing? [SFAS 13, par. 16 (AC L10.112d)]	_____	_____	_____
b. For capital leases:			
(1) The gross amount of assets recorded as of each financial position statement date presented by major classes according to nature or function? (This information may be combined with the comparable information for owned assets.)	_____	_____	_____
(2) The total of minimum sublease rentals to be received in the future under noncancelable subleases as of the latest financial position statement date?	_____	_____	_____
(3) Total contingent rentals actually incurred for each period for which an activity statement is presented?	_____	_____	_____
(4) Assets recorded under capital leases and the accumulated amortization thereon, unless separately identified in the applicable financial position statements?	_____	_____	_____
(5) The amortization charge on assets recorded under capital leases, unless the charge is included with depreciation expense (with the fact that it is so disclosed) or unless it is separately identified in the financial statements? [SFAS 13, pars. 13 and 16 (AC L10.112a)]	_____	_____	_____
c. For operating leases, rental expense for each period for which an activity statement is presented, with separate amounts for minimum rentals, contingent rentals, and sublease rentals? [SFAS 13, par. 16 (AC L10.112c)]	_____	_____	_____
d. For operating leases having initial or remaining noncancelable lease terms in excess of one year, future minimum rental payments required as of the date of the latest financial position statement presented, in the aggregate and for each of the five succeeding fiscal years? [SFAS 13, par. 16 (AC L10.112b)]	_____	_____	_____

G. Noninterest-Bearing Receivables and Payables

1. If a note is noninterest-bearing or has an inappropriate stated interest rate:			
a. Is the discount or premium presented as a deduction from or addition to the face amount of the asset or liability? (The face amount of the note should be disclosed in the financial statements or in the notes to the financial statements.)	_____	_____	_____
b. Is the amortization of the discount or premium reported as interest expense in the activity statements?	_____	_____	_____
c. Is the effective interest rate disclosed? [APB 21, par. 16 (AC I69.109)]	_____	_____	_____

Yes No N/A

H. Pension Plans

Practice Tips

The provisions of GASB 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, apply whether a defined benefit pension plan is a single-employer, agent multiple-employer, or cost-sharing multiple-employer plan, and regardless of how or when the plan's pension benefits are financed.

[GASB 25, par. 13 (GASB Cod. Sec. Pe5.105)]

A separate checklist, *Checklists and Illustrative Financial Statements for Governmental Employee Benefit Plans*, addresses stand-alone financial reports for governmental pension plans.

When GASB 25 and GASB 27, *Accounting for Pensions by State and Local Governmental Employers*, require similar information about defined benefit and defined contribution pension plans in the employer's notes to the financial statements and RSI, the employer should present the information in a manner that avoids unnecessary duplication.²⁷

[GASB 27, fns. 15 and 19 (GASB Cod. Sec. P20, fns. 16 and 19)]

Defined Benefit Pension Plans—Sponsor and Employer Reporting

Practice Tips

A defined benefit pension plan provides retirement income and also may provide other types of postemployment benefits, including disability benefits, death benefits, life insurance, healthcare benefits, and other ancillary benefits. As used in GASB standards, the term *pension benefits* includes retirement income and all other types of benefits provided through a defined benefit pension plan, except postemployment healthcare benefits. For financial reporting purposes, postemployment healthcare benefits, including medical, dental, vision, and other health-related benefits, provided through a defined benefit pension plan, and the assets accumulated by the plan for the payment of postemployment healthcare benefits, are considered, in substance, a postemployment healthcare plan administered by but not part of the pension plan.²⁸

[GASB 25, par. 12 (GASB Cod. Sec. Pe5.104)]

The provisions of GASB 25 apply whether (a) a defined benefit pension plan's financial statements are included in a separate financial report issued by the plan or by the public employee retirement system that administers the plan (stand-alone plan financial report) or (b) the plan is included as a pension trust fund or fiduciary component unit in the fiduciary fund financial statements of the plan sponsor or employer.

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

The questions in the separate checklist for stand-alone plan financial reports, *Checklists and Illustrative Financial Statements for Governmental Employee Benefit Plans*, generally also can be applied when a plan is included as a pension trust fund or fiduciary component unit in the sponsor's or employer's financial statements. This section includes questions that address additional financial reporting and disclosure requirements when pension plans are included in a sponsor's or employer's financial statements.

If a defined benefit plan's financial statements are presented in both an employer's report and a publicly available GAAP financial report, and the employer discloses information about how to obtain the stand-alone plan financial report, the employer may limit its pension trust fund disclosures. Specifically, it need not include certain disclosures listed in *Checklists and Illustrative Financial Statements for Governmental Employee Benefit Plans* about classes of employees covered and the current membership, benefit provisions, contributions, and reserves.

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

²⁷ See also the subsection on pensions—employer reporting in this section of this checklist.

²⁸ See the separate subsection on postemployment healthcare plans administered by defined benefit pension plans—sponsor and employer reporting in this section of this checklist.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
1. Are defined benefit pension plans, including those that are fiduciary component units, reported in the entity's financial statements as pension trust funds? [GASB 25, par. 13, as amended by GASB 34, par. 106 (GASB Cod. Sec. Pe5.105)]	_____	_____	_____
2. Is each plan considered a separate fund? [GASB 25, pars. 15 and 17 (GASB Cod. Sec. Pe5.107 and .109)]	_____	_____	_____
3. Are financial statements for individual defined benefit pension plans presented in the notes to the sponsor's or employer's financial statements if the plans have not issued separate, GAAP financial reports?	_____	_____	_____
4. If the plans have issued separate, GAAP financial reports, do the notes instead include information about how to obtain those separate reports? [GASB 34, par. 106 (GASB Cod. Secs. 2200.172 and Pe5.109)]	_____	_____	_____

Defined Benefit Pension Plans—Sponsor and Employer Required Supplementary Information

5. For each plan, are schedules of funding progress and employer contributions and notes to RSI as required by GASB 25, pars. 37, 38, and 40 (GASB Cod. Sec. Pe5.129, .130, and .132) included as RSI in the employer's financial report unless (a) the required schedules are included with the plan's financial statements in a publicly available, stand-alone plan financial report and (b) the employer discloses in its notes to the financial statements information about how to obtain the stand-alone plan financial report?	_____	_____	_____
6. For each single employer plan for which (a) the required schedules are included with the plan's financial statements in a publicly available, stand-alone plan financial report and (b) the employer includes in its notes to the financial statements information about how to obtain the stand-alone plan financial report, is a schedule of funding progress and notes to RSI presented as required by GASB 25, pars. 37, 38, and 40 (GASB Cod. Sec. Pe5.129, .130, and .132) for the three most recent actuarial valuations? [GASB 25, pars. 33 and 34 (GASB Cod. Sec. Pe5.125 and .126)]	_____	_____	_____

Defined Contribution Pension Plans—Employer Reporting

7. Are defined contribution pension plans reported in the entity's financial statements as pension trust funds? [GASB 25, fn. 2 (GASB Cod. Sec. Pe6, fn. 2); GASB 34, par. 70 (GASB Cod. Sec. 1300.111)]	_____	_____	_____
8. Is each plan considered a separate fund? [Generally Accepted]	_____	_____	_____
9. Do the notes to the financial statements of the plan include the following disclosures when the financial statements are presented in a stand-alone report or solely in the financial report of an employer:			
a. A plan description, including:			
(1) Identification of the plan as a defined contribution plan and disclosure of the number of participating employers and other contributing entities?	_____	_____	_____
(2) Classes of employees covered (for example, general employees, public safety employees) and the total current membership?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(3) Brief description of plan provisions and the authority under which they are established or may be amended?	_____	_____	_____
(4) Contribution requirements (for example, the contribution rates in dollars or as a percentage of salary) of the plan members, employers, and other contributing entities and the authority under which the requirements are established or may be amended?	_____	_____	_____
b. A summary of significant accounting policies, including the basis of accounting, fair value of plan assets (unless plan assets are reported at fair value), and a brief description of how the fair value is determined?	_____	_____	_____
c. Identification of concentrations in investments (other than those issued or guaranteed by the U.S. government or those in mutual funds) in any one organization that represent 5 percent or more of plan net assets?****	_____	_____	_____
10. When a plan's financial statements are presented in both an employer's report and a publicly available stand-alone plan financial report that includes all disclosures indicated in Question 9 above, and the employer limits its plan disclosures to those in Questions 9a(1), 9b, and 9c above, has the employer disclosed information about how to obtain the stand-alone plan financial report? [GASB 25, par. 41 (GASB Cod. Sec. Pe6.104); Q&A, item 5.79]	_____	_____	_____

I. Pensions—Employer Reporting

Practice Tips

The pension plans to which employers contribute may be defined benefit or defined contribution plans. Defined benefit plans may be single-employer (sole), agent multiple-employer (agent), cost-sharing, or insured plans. Those types of plans are defined in GASB 27. [GASB 27 (GASB Cod. Sec. P20)]

Some governments are legally responsible for contributions to pension plans that cover the employees of another entity. In those cases, the entity that is legally responsible for the contributions should comply with all applicable provisions of GASB 27 for recognition, measurement, display, note disclosures, and RSI. If the plan is a defined benefit pension plan and the entity with legal responsibility for contributions is the only contributing entity, the requirements of GASB 27 for sole employers apply, regardless of the number of entities whose employees are covered by the plan. [GASB 27, par. 28 (GASB Cod. Sec. P20.125)]

GASB 25 requires that certain note disclosures for pension trust funds be included in the employer's financial reports. When similar disclosures are made for the employer and the pension trust fund, the employer should present the disclosures in a manner that avoids unnecessary duplication. [GASB 27, fns. 15 and 19 (GASB Cod. Sec. P20, fns. 16 and 19)]²⁹

Assets and Liabilities

1. Are pension liabilities and assets to different plans not offset in the financial statements? [GASB 27, pars. 17, 19, and 25 (GASB Cod. Sec. P20.114, .116, and .121)]	_____	_____	_____
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**** GASB 40 supersedes GASB 25, par. 41c, to clarify that this disclosure requirement does not apply to investments in mutual funds, external investment pools, and other pooled investments. GASB 40 is effective for financial statements for periods beginning after June 15, 2004, with earlier application encouraged. See the further discussion and questions about GASB 40 in Appendix B.

²⁹ See also the subsection on pension plans in this section of this checklist.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>Assets and Liabilities—Sole and Agent Defined Benefit Plans</i>			
2. For pensions relating to governmental funds, is a positive (negative) year-end balance in the net pension obligation (NPO) not reported in the governmental funds but as a general long-term liability (asset) only in the governmental activities column in the government-wide statement of net assets? [GASB 27, par. 16, as amended by GASB 34, par. 82 (GASB Cod. Sec. P20.113)]	_____	_____	_____
3. For pensions relating to proprietary funds, is a positive (negative) year-end balance in the NPO reported as a year-end liability (asset) in the proprietary fund and government-wide financial statements? [GASB 27, par. 17 (GASB Cod. Sec. P20.114); GASB 34, par. 16 (GASB Cod. Sec. P20.115)]	_____	_____	_____
<i>Assets and Liabilities—Cost-Sharing Defined Benefit Plans and Defined Contribution Plans</i>			
4. Are pension assets and liabilities reported in the governmental fund, proprietary fund, and government-wide financial statements, as applicable? [GASB 27, pars. 19 and 25, as amended by GASB 34, par. 16 (GASB Cod. Sec. P20.116 and .121)]	_____	_____	_____
<i>Disclosures—Defined Benefit Plans, Except Insured Plans</i>			
5. Are disclosures made for each defined benefit pension plan, with disclosures for more than one plan combined in a manner that avoids unnecessary duplication? [GASB 27, par. 20 (GASB Cod. Sec. P20.117)]	_____	_____	_____
6. Is the following information disclosed:			
a. A plan description, including			
(1) Name of the plan, identification of the public employee retirement system or other entity that administers the plan, and identification of the plan as a single-employer, agent multiple-employer, or cost-sharing multiple-employer defined benefit pension plan?	_____	_____	_____
(2) Brief description of the types of benefits and the authority under which benefit provisions are established or may be amended?	_____	_____	_____
(3) Whether the pension plan issues a stand-alone financial report, or is included in the report of a public employee retirement system or another entity, and, if so, how to obtain the report?	_____	_____	_____
b. The funding policy, as follows:			
(1) Authority under which the obligations to contribute to the plan of the plan members, employer(s), and other contributing entities (for example, state contributions to local government plans) are established or may be amended?	_____	_____	_____
(2) Required contribution rate(s) of active plan members?	_____	_____	_____
(3) Required contribution rate(s) of the employer in accordance with the funding policy, in dollars or as a percentage of current-year covered payroll?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(a) If the plan is a sole or agent plan and the rate differs significantly from the annual required contribution (ARC), does the entity disclose how the rate is determined (for example, by statute or contract, or the plan is financed on a pay-as-you-go basis)?	_____	_____	_____
(b) If the plan is a cost-sharing plan, does the entity disclose the required contributions in dollars and the percentage of that amount contributed for the current year and each of the two preceding years? [GASB 27, par. 20 (GASB Cod. Sec. P20.117)]	_____	_____	_____
c. Additionally, for sole and agent plans:			
(1) For the current year, annual pension cost and the dollar amount of contributions made?	_____	_____	_____
(2) If the employer has a net pension obligation (NPO), the components of annual pension cost (ARC, interest on the NPO, and adjustment to the ARC), the increase or decrease in the NPO, and the NPO at the end of the year?	_____	_____	_____
(3) For the current year and each of the two preceding years, annual pension cost, percentage of annual pension cost contributed that year, and NPO at the end of the year?	_____	_____	_____
(4) Date of the actuarial valuation and identification of the actuarial methods and significant assumptions used to determine the ARC for the current year, including:			
(a) The actuarial cost method?	_____	_____	_____
(b) The method(s) used to determine the actuarial value of assets?	_____	_____	_____
(c) The assumptions with respect to the inflation rate, investment return, projected salary increases, and postretirement benefit increases?	_____	_____	_____
(d) The amortization method (level dollar or level percentage of projected payroll)?	_____	_____	_____
(e) The amortization period (equivalent single amortization period, for plans that use multiple periods) for the most recent actuarial valuation and whether the period is closed or open?	_____	_____	_____
(f) If the aggregate actuarial cost method is used, a statement that the method does not identify or separately amortize unfunded actuarial liabilities? [GASB 27, par. 21 (GASB Cod. Sec. P20.118)]	_____	_____	_____

Disclosures—Insured Defined Benefit Plans³⁰

7. Do the notes to the financial statements disclose:

- a. A brief description of the insured plan, including the benefit provisions and the authority under which benefit provisions are established or may be amended?

³⁰ An insured plan is a pension financing arrangement whereby an employer accumulates funds with an insurance company, while employees are in active service, in return for which the insurance company unconditionally undertakes a legal obligation to pay the pension benefits of those employees or their beneficiaries, as defined in the employer's plan. [GASB 27, par. 23 (GASB Cod. Sec. P20.120)]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. The fact that the obligation for the payment of benefits has been effectively transferred from the employer to one or more insurance companies and whether the employer has guaranteed benefits in the event of the insurance company's insolvency?	_____	_____	_____
c. The current-year pension expenditures/expense and contributions or premiums paid? [GASB 27, par. 23 (GASB Cod. Sec. P20.120)]	_____	_____	_____

Disclosures—Defined Contribution Plans

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

Required Supplementary Information

Practice Tips

Presentation of the schedule of funding progress as RSI is not required if the employer elects to disclose the required information for all three valuations in the notes to the financial statements. If a sole employer includes the plan in its financial statements and presents the RSI required for that plan by GASB 25, the following RSI for the employer is not also required. For agent employers, the following RSI should be presented only for the employer's individual plan, even if the aggregate multiple-employer plan (all employers) is included in the employer's report and the RSI required for the aggregate plan is presented. However, when similar RSI is required for the employer and the plan, the employer should present it in a manner that avoids unnecessary duplication.
[GASB 27, fns. 15 and 17 (GASB Cod. Sec. P20, fns. 16 and 18)]

For RSI required for plans presented in an employer's report, see the separate checklist, *Checklists and Illustrative Financial Statements for Governmental Employee Benefit Plans*, that addresses stand-alone plan financial reports.

1. Do sole and agent employers present as RSI the following for the most recent actuarial valuation and the two preceding valuations, unless the aggregate actuarial cost method was used:			
a. A schedule of funding progress, including			
(1) The actuarial valuation date?	_____	_____	_____
(2) The actuarial value of plan assets?	_____	_____	_____
(3) The actuarial accrued liability?	_____	_____	_____
(4) The total unfunded actuarial liability or funding excess?	_____	_____	_____
(5) The actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio)?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(6) The annual covered payroll?	_____	_____	_____
(7) The ratio of the unfunded actuarial liability (or funding excess) to annual covered payroll?	_____	_____	_____
b. Factors that significantly affect the identification of trends in the amounts reported, including, for example, changes in benefit provisions, the size or composition of the population covered by the plan, or the actuarial methods and assumptions used. [GASB 27, par. 22 (GASB Cod. Sec. P20.119)]	_____	_____	_____

J. Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans—Sponsor and Employer Reporting^{†††}

Practice Tips

The provisions of GASB 26, *Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans*, apply whether a postemployment healthcare plan is a single-employer, agent multiple-employer, or cost-sharing multiple-employer plan and regardless of whether it is funded on an actuarially determined basis or in some other manner. GASB 26 applies whether the defined benefit pension plan (a) issues a separate financial report or is included in the financial report of the public employee retirement system that administers the pension plan (stand-alone plan financial report) or (b) is included as a pension trust fund or fiduciary component unit in the statement of fiduciary net assets and statement of changes in fiduciary net assets of the plan sponsor or employer.

[GASB 26, par. 4, as amended by GASB 34, par. 106 (GASB Cod. Sec. Po50.102)]

A separate checklist, *Checklists and Illustrative Financial Statements for Governmental Employee Benefit Plans*, addresses stand-alone financial reports when defined benefit pension plans administer postemployment healthcare plans. The questions in that checklist also can be applied when such a plan is included as a pension trust fund or fiduciary component unit in the sponsor’s or employer’s financial statements. This section includes questions that address additional financial reporting and disclosure requirements when such plans are included in a sponsor’s or employer’s financial statements.

1. Are postemployment healthcare plans administered by defined benefit pension plans reported in the entity’s financial statements as pension (and other employee benefit) trust funds? [GASB 26, par. 4, as amended by GASB 34, par. 106 (GASB Cod. Sec. Po50.102)]	_____	_____	_____
2. Is each postemployment healthcare plan considered a separate pension (and other employee benefit) trust fund? [GASB 26, par. 7 (GASB Cod. Sec. Po50.105)]	_____	_____	_____
3. Are the net assets in the combined statement of fiduciary net assets subdivided and reported as, respectively, net assets held in trust for employees’ pension benefits and net assets held in trust for employees’ postemployment healthcare benefits?	_____	_____	_____
4. Is the net increase or decrease for the year in net assets similarly subdivided in the statement of changes in fiduciary net assets?	_____	_____	_____

^{†††} GASB 43, which supersedes GASB 26, establishes accounting and financial reporting standards for plans that provide postemployment benefits other than pension benefits (known as other postemployment benefits or OPEB). The provisions of GASB 43 are effective in three phases starting in periods beginning after December 15, 2005, based on the implementation phase of the employer (for single-employer plans) or of the largest participating employer in the plan (for multiple-employer plans) for purposes of applying GASB 34. See the further discussion and questions about GASB 43 in Appendix B.

- | | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|---|------------|-----------|------------|
| 5. Are the financial statements for individual postemployment health-care plans presented in the notes to the financial statements of the primary government if separate, GAAP financial reports have not been issued? | _____ | _____ | _____ |
| 6. If separate, GAAP financial reports have been issued, do the notes include information about how to obtain those reports?
[GASB 26, fn. 4, as amended by GASB 34, par. 70 (GASB Cod. Sec. Po50, fn. 4); GASB 34, par. 106 (GASB Cod. Secs. 2200.712 and Po50, fn. 4)] | _____ | _____ | _____ |

K. Postemployment Benefits Other Than Pensions—Employer Reporting^{###}

Practice Tips

Ordinarily, postemployment benefits other than pensions (OPEB) are postemployment benefits provided by an employer to plan participants, beneficiaries, and covered dependents through a plan or other arrangement that is separate from a plan to provide retirement income. However, GASB standards provide that OPEB also include postemployment healthcare benefits provided through a defined benefit pension plan. In addition to postemployment healthcare benefits (such as illness, dental, vision, and hearing), OPEB may include, for example, life insurance, disability income, tuition assistance, legal services, and other assistance programs. Except for postemployment healthcare (always OPEB), whether a particular type of benefits should be considered pension benefits or OPEB depends on how the benefits are provided. That is, if the postemployment benefits (other than postemployment healthcare) are provided through a defined benefit pension plan, those benefits are pension benefits rather than OPEB.³¹
[GASB 12, par. 3 (GASB Cod. Sec. P50.103)]

- | | | | |
|---|-------|-------|-------|
| 1. If the entity is a sole or agent employer that has elected to apply the measurement and recognition requirements of GASB 27 to postemployment healthcare benefits, has it: | | | |
| a. Provided the notes to the financial statements required by GASB 27 (see the subsection on pensions—employer reporting in this section of this checklist) instead of the note disclosures required by GASB 12 (as provided in Question 2 below)? | _____ | _____ | _____ |
| b. Disclosed the healthcare inflation assumption? | _____ | _____ | _____ |
| c. Disclosed all information provided on postemployment health-care benefits separately from information on pension benefits?
[GASB 27, par. 24 (GASB Cod. Sec. P50.106)] | _____ | _____ | _____ |
| 2. Except as addressed in Question 1 above, does the entity disclose, at a minimum, the following information, either separately for one or more types of benefits or in the aggregate for all OPEB provided: | | | |
| a. A description of the OPEB provided; employee groups covered; eligibility requirements; and the employer and participant obligations to contribute, quantified in some manner (such as the approximate percentage of the total obligation to contribute that is | | | |

^{###} The GASB is expected to issue GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, in June 2004. That Statement will supersede or amend all previous authoritative guidance on accounting and financial reporting for an employer’s OPEB expenditures/expenses and related information. Next year’s edition of this checklist will provide a discussion of and questions about GASB 45.

³¹ For postemployment benefits that are not OPEB, see the separate subsection on pensions—employer reporting in this section of this checklist.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
borne by the employer and the participants, respectively, or the dollar or percentage contribution rates)?	_____	_____	_____
b. A description of the statutory, contractual, or other authority under which OPEB provisions and obligations to contribute are established?	_____	_____	_____
c. A description of the accounting and financing or funding policies followed (such as a statement that the employer's contributions are financed on a pay-as-you-go basis or are advance-funded on an actuarially determined basis)?	_____	_____	_____
d. If OPEB are advance-funded on an actuarially determined basis:			
(1) The actuarial cost method and significant actuarial assumptions (including the interest rate and, if applicable, the projected salary increase and health inflation assumptions) used to determine funding requirements?	_____	_____	_____
(2) The method used to value plan assets?	_____	_____	_____
e. The following expenditure/expense information, depending on how OPEB are financed:			
(1) If OPEB are financed on a pay-as-you-go basis or if the employer sets aside assets for future OPEB payments but does not advance-fund OPEB on an actuarially determined basis:			
(a) The amount of OPEB expenditures/expenses recognized during the period by the employer (net of participant contributions)?	_____	_____	_____
(b) The number of participants currently eligible to receive benefits?	_____	_____	_____
(c) If expenditures/expenses for OPEB cannot readily be separated from expenditures/expenses for similar types of benefits provided to active employees and their dependents, and a reasonable approximation cannot be made, is it stated that OPEB expenditures/expenses cannot be reasonably estimated?	_____	_____	_____
(d) The amount of net assets available for future benefit payments?	_____	_____	_____
(2) If OPEB are advance-funded on an actuarially determined basis:			
(a) The number of active plan participants?	_____	_____	_____
(b) The employer's actuarially required and actual contributions for the period (net of participant contributions)?	_____	_____	_____
(c) The amount of net assets available for future benefit payments?	_____	_____	_____
(d) The actuarial accrued liability and unfunded actuarial accrued liability for OPEB according to the actuarial cost method in use?	_____	_____	_____
f. A description (and the dollar effect, if measurable) of any significant matters that affect the comparability of these disclosures with those for the previous period (for example, a change in benefit provisions)?	_____	_____	_____
g. Any additional information that the employer believes will help users assess the nature and magnitude of the cost of the employer's commitment to provide OPEB?	_____	_____	_____
[GASB 12, par. 10 and fn. 4 (GASB Cod. Sec. P50.105 and fn. 4)]	_____	_____	_____

Yes No N/A

L. Public Entity Risk Pools

Practice Tip

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

[GASB 10, pars. 10, 11, and 76 (GASB Cod. Secs. Po20.109 and .110)]

Basic Financial Statements

- | | | | |
|--|--|---|---|
| <p>1. Does the public entity risk pool account for its activities in an enterprise fund, regardless of whether there is a transfer or pooling of risk? [GASB 10, par. 18 (GASB Cod. Sec. Po20.115)]</p> <p>2. Do the pool’s financial statements apply all applicable GASB pronouncements as well as private-sector standards as provided in GASB 20, as amended? [GASB 20, pars. 6 and 7, as amended (GASB Cod. Sec. Po20.115)]</p> <p>3. Does the pool report include an MD&A; a statement of net assets; a statement of revenues, expenses, and changes in net assets; a statement of cash flows; notes to the financial statements; and RSI other than MD&A, as applicable? [GASB 34, par. 138 (GASB Cod. Sec. Po20.114)]</p> <p>4. If a portion of premiums is specifically identified as being collected for future catastrophe losses, is that amount separately identified as a reservation of pool equity if it is contractually restricted for that specific future use or if it is legally restricted for that specific use by an organization or individual outside the entity?³² [GASB 10, par. 21 (GASB Cod. Sec. Po20.118)]</p> <p>5. If the pool purchases annuity contracts in the claimant’s name to satisfy a claim liability, and the likelihood that the pool will be required to make future payments on the claim is remote, are the contracts not reported in, and the related liability removed from, the pool’s statement of net assets? [GASB 10, par. 26 (GASB Cod. Sec. Po20.123)]</p> <p>6. If no accrual is made for an insured event, or if an exposure to loss exists in excess of the accrual, is a loss contingency disclosed if there is at least a reasonable possibility that a loss or an additional loss may have been incurred?</p> <p style="padding-left: 20px;">a. Does the disclosure indicate the nature of the contingency and give an estimate of the possible loss or range of loss or state that such an estimate cannot be made?</p> | <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> | <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> | <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> |
|--|--|---|---|

³² This question and the remaining questions in this subsection do not apply to a public entity risk pool that does not involve any transfer or pooling of risk among pool participants. In those situations, the pool is acting as a claims servicer, not as an insurer. Instead, the activity statement of this type of pool should report claims-servicing revenue and administrative costs. Amounts collected or due from pool participants, including capitalization contributions, and paid or to be paid to settle claims should be netted and reported as an asset or a liability, as appropriate. [GASB 10, par. 51, and GASBI 4, par. 13 (GASB Cod. Sec. Po20.149)]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. If it is considered probable that a claim will be asserted and there is a reasonable possibility that the outcome will be unfavorable, is disclosure of the possible claim made? [GASB 10, par. 27 (GASB Cod. Sec. Po20.124)]	_____	_____	_____
7. Are unamortized acquisition costs classified as an asset, and do proceeds from reinsurance transactions that represent recovery of acquisition costs reduce applicable unamortized acquisition costs? [GASB 10, pars. 29 and 38 (GASB Cod. Sec. Po20.126 and .135)]	_____	_____	_____
8. Are policyholder dividends that are used to reduce premiums reported as dividend expense and premium income? [GASB 10, par. 32 (GASB Cod. Sec. Po20.129)]	_____	_____	_____
9. If experience refund arrangements exist under experience-rated contracts, is a separate liability accrued for those amounts, with those amounts reducing revenue? [GASB 10, par. 33 (GASB Cod. Sec. Po20.130)]	_____	_____	_____
10. Are premium deficiencies in excess of unamortized acquisition costs reported as a premium deficiency liability and as a premium deficiency expense?	_____	_____	_____
11. Are premium deficiencies resulting from risk-sharing pool participation contracts reported as revenue and assessments receivable? [GASB 30, par. 5 (GASB Cod. Sec. Po20.133)]	_____	_____	_____
12. Are amounts that are recoverable from reinsurers or excess insurers and that relate to paid claims and claim adjustment expenses classified as assets (with an allowance for estimated uncollectible amounts) and as reductions of expenses?	_____	_____	_____
13. Are estimated amounts recoverable from reinsurers that relate to the liabilities for unpaid claims and claim adjustment expenses deducted from those liabilities rather than reported as assets?	_____	_____	_____
14. Are unearned premiums on contracts ceded to a reinsurer by a pool netted with related premiums paid to but not yet earned by the reinsurer?	_____	_____	_____
15. Are receivables and payables from the same reinsurer, including amounts withheld, netted? [GASB 10, par. 37 (GASB Cod. Sec. Po20.134)]	_____	_____	_____
16. Does the pool report a liability if it has agreed to service ceded insurance contracts without reasonable compensation? [GASB 10, par. 38 (GASB Cod. Sec. Po20.135)]	_____	_____	_____
17. To the extent that a reinsurance or excess insurance contract does not, despite its form, provide for indemnification of the pool by the reinsurer against loss or liability, is the premium paid less the premium to be retained by the reinsurer reported as a deposit (or as a liability, if a net credit)? [GASB 10, par. 39 (GASB Cod. Sec. Po20.136)]	_____	_____	_____
18. Does the pool report capitalization contributions to another public entity risk pool as provided for proprietary funds in GASB Cod. Sec. C50.133, .134, and .136, and not as an equity interest in a joint venture? (See the subsection on risk financing and related financing issues—entities other than risk pools in this section of this checklist.) [GASBI 4, par. 3 (GASB Cod. Sec. J50.113); GASBI 4, par. 10 and fn. 9 (GASB Cod. Sec. Po20.137)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
19. Are capitalization contributions received reported as a liability or as unearned premiums, depending on the probability that the contributions will be returned? [GASBI 4, pars. 11 and 12 (GASB Cod. Sec. Po20.138 and .139)]	_____	_____	_____
20. Concerning investments:			
a. Does the pool apply the accounting and financial reporting standards for debt securities, marketable equity securities, and certain other, similar investments provided in GASB Cod. Sec. I50? [GASB Cod. Sec. Po20.140]	_____	_____	_____
b. Is the amortization of purchased premiums or discounts on mortgage loans, and other related charges or credits, charged or credited to investment income?	_____	_____	_____
c. Are changes in the allowance for estimated uncollectible amounts relating to mortgage loans included in realized gains and losses? [GASB 10, par. 42 (GASB Cod. Sec. Po20.141)]	_____	_____	_____
d. Is depreciation and other related charges or credits on real estate investments charged or credited to investment income?	_____	_____	_____
e. Are changes in the allowance for any impairment in value relating to real estate investments included in realized gains and losses? [GASB 10, par. 43 (GASB Cod. Sec. Po20.142)]	_____	_____	_____
f. Are other-than-temporary declines in the fair value of other investments below their carrying amounts reported as a realized loss and a reduction of the carrying amount of the investment? [GASB 10, par. 44, as amended by GASB 31, par. 6 (GASB Cod. Sec. Po20.143)]	_____	_____	_____
g. Are loan origination and commitment fees and direct loan origination costs accounted for as prescribed in SFAS 91, <i>Accounting for Nonrefundable Fees and Costs Associated With Originating or Acquiring Loans and Initial Direct Costs of Leases</i> ? [GASB 10, par. 45 (GASB Cod. Sec. Po20.144)]	_____	_____	_____
h. Is all investment income, including changes in the fair value of investments (except those that are accounted for as foreign currency or futures contract hedges as required by SFAS 52, <i>Foreign Currency Translation</i> , and SFAS 80, <i>Accounting for Futures Contracts</i>), reported in the statement of revenues, expenses, and changes in net assets as a component of other income? [GASB 10, par. 46, as amended by GASB 31, par. 13 (GASB Cod. Sec. Po20.145); GASB 10, fn. 7 (GASB Cod. Sec. Po20, fn. 7)]	_____	_____	_____
21. Concerning real estate:			
a. Is such real estate classified either as an investment or as real estate used in the pool's operations, depending on its predominant use?	_____	_____	_____
b. Are depreciation and other real estate operating costs classified as investment expenses or operating expenses consistent with the classification in the statement of net assets of the related asset?	_____	_____	_____
c. Is imputed investment income and rental expense not reported for real estate used in the pool's operations? [GASB 10, par. 48 (GASB Cod. Sec. Po20.146)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
22. Does the pool disclose the following matters in the notes to the financial statements:			
a. A description of the risk transfer or pooling agreement, including the rights and responsibilities of the pool and the pool participants?	_____	_____	_____
b. A brief description of the number and types of entities participating in the pool?	_____	_____	_____
c. The basis for estimating the liabilities for unpaid claims and claim adjustment expenses?	_____	_____	_____
d. A statement that the liabilities are based on the estimated ultimate cost of settling the claims, including the effects of inflation and other societal and economic factors?	_____	_____	_____
e. The nature of acquisition costs capitalized, the method of amortizing those costs, and the amount of those costs amortized for the period?	_____	_____	_____
f. The face amount and carrying amount of liabilities for unpaid claims and claim adjustment expenses that are presented at present value in the financial statements and the range of annual interest rates used to discount those liabilities? [GASB 10, par. 49 (GASB Cod. Sec. Po20.147)]	_____	_____	_____
g. Whether the pool considers anticipated investment income in determining if a premium deficiency exists? [GASB 10, par. 49 and fn. 6 (GASB Cod. Sec. Po20.147 and fn. 5)]	_____	_____	_____
h. The nature and significance of excess insurance or reinsurance transactions to the pool's operations, including the type of coverage, reinsurance premiums ceded, and estimated amounts that are recoverable from excess insurers and reinsurers and that reduce the liabilities as of the financial statement date for unpaid claims and claim adjustment expenses? [GASB 30, par. 6 (GASB Cod. Sec. Po20.147)]	_____	_____	_____
i. A reconciliation of total claims liabilities, including an analysis of changes in aggregate liabilities for claims and claim adjustment expenses for the current fiscal year and the prior fiscal year, in this tabular format:			
(1) Amount of liabilities for unpaid claims and claim adjustment expenses at the beginning of each fiscal year?	_____	_____	_____
(2) Incurred claims and claim adjustment expenses, including the provision for insured events of the current fiscal year and the increase (decrease) in the provision for insured events of prior fiscal years?	_____	_____	_____
(3) Payments for claims and claim adjustment expenses attributable to insured events of the current fiscal year and claims and claim adjustment expenses attributable to insured events of prior fiscal years?	_____	_____	_____
(4) Other items, with an explanation of each material item?	_____	_____	_____
(5) Amount of liabilities for unpaid claims and claim adjustment expenses at the end of each fiscal year? [GASB 10, par. 49 (GASB Cod. Sec. Po20.147)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
j. The aggregate outstanding amount of liabilities for which annuity contracts have been purchased from third parties in the claimants' names and for which the related liabilities have been removed from the statement of net assets. (Annuity contracts used to settle claims for which the claimant has signed an agreement releasing the entity from further obligation and for which the likelihood that the pool will be required to make future payments on those claims is remote should not be included in this disclosure.) [GASB 10, pars. 26 and 49 (GASB Cod. Sec. Po20.123 and 147)]	_____	_____	_____

Required Supplementary Information

Practice Tips

In separate pool financial reports, the following RSI should be presented immediately after the notes to the financial statements. Pools that are included as part of a governmental reporting entity and that do not issue separate financial reports also should present the following RSI after the notes to the reporting entity's financial statements. However, if such a reporting entity issues a comprehensive annual financial report (CAFR), the entity may present the RSI for the pool with the statistical information.
[GASB 30, par. 7 (GASB Cod. Sec. Po20.148 and fn. 10)]

If the ten years of information about claims liabilities and claim adjustment expenses is not available (see Question 23a below), all required information should be presented only for as many years as that information is available. If changes in a pool's loss, expense, reinsurance, excess insurance, or other transactions materially affect pool revenue, expenses, or liabilities in a manner not fairly disclosed or presented in the RSI tables, the pool should expand the information to show additional detail (such as separate information for each type of contract) to keep the schedules from being misleading or to keep trends from becoming obscured.
[GASB 30, par. 7 (GASB Cod. Sec. Po20.148)]

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

a. A table that presents:

- | | | | |
|--|-------|-------|-------|
| (1) Amount of gross premium (or required contribution) revenue and reported investment revenue, amount of premium (or required contribution) revenue ceded, and amount of net reported premium (or required contribution) revenue (net of excess insurance or reinsurance) and reported investment revenue for each of the past ten fiscal years including the latest fiscal year? | _____ | _____ | _____ |
| (2) Amount of reported unallocated claim adjustment expenses and reported other costs for each of the past ten fiscal years including the latest fiscal year? | _____ | _____ | _____ |
| (3) Total gross amount of incurred claims and allocated claim adjustment expenses (both paid and accrued before the effect of loss assumed by excess insurers or reinsurers), loss assumed by excess insurers or reinsurers (both paid and accrued), and total net amount of incurred claims and allocated claim adjustment expenses (both paid and accrued)? | _____ | _____ | _____ |
| (4) The cumulative net amount paid as of the end of the accident year, report year, or policy year (as appropriate) and each succeeding year for each of the incurred claims and allocated expense amounts presented in Question (3) above? | _____ | _____ | _____ |
| (5) The reestimated amount for loss assumed by excess insurers or reinsurers as of the end of the current year for each of the | | | |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
accident years, report years, or policy years (as appropriate) presented in Question (3) above?	_____	_____	_____
(6) The reestimated amount for net incurred claims and claim adjustment expenses as of the end of each succeeding year for each of the accident years, report years, or policy years (as appropriate) presented in Question (3) above?	_____	_____	_____
(7) The change in net incurred claims and claim adjustment expenses from the original estimate, based on the difference between the latest reestimated amount presented in Question (6) above for each of the accident years, report years, or policy years (as appropriate) and the original net incurred claims and claim adjustment amounts reported in Question (3) above?	_____	_____	_____
b. A table that reconciles claims liabilities by type of contract, including an analysis of changes in liabilities for claims and claim adjustment expenses for the current fiscal year and the prior year, in the same tabular format required by Question 22i? [GASB 30, par. 7 (GASB Cod. Sec. Po20.148)]	_____	_____	_____

M. Risk Financing and Related Financing Issues—Entities Other Than Risk Pools³³

1. Are accrued liabilities for claims and judgments reported in the government-wide and proprietary and fiduciary fund financial statements, but only reported in the governmental fund financial statements to the extent the liabilities are “normally expected to be liquidated with expendable available financial resources”? [GASB 34, pars. 16, 82, 92, and 107 (GASB Cod. Sec. C50.120 and 124); GASBI 6, par. 14 (GASB Cod. Sec. C50.124)]	_____	_____	_____
2. If a single fund is used in the fund financial statements to account for the entity’s risk financing activities, is that fund either the general fund or an internal service fund? ³⁴ [GASB 10, par. 63 (GASB Cod. Sec. C50.124)]	_____	_____	_____
3. If the entity uses the general fund to account for its risk financing activities and allocates loss expenditures/expenses to the other funds of the entity:			
a. Are amounts charged to other funds from the general fund reported as interfund reimbursements (that is, as expenditures or expenses in the paying fund and as reductions of the expenditure or expense in the general fund)?	_____	_____	_____
b. If the total amounts charged to the other funds (including the general fund itself) exceed total expenditures and liabilities determined in accordance with Cod. Sec. C50.110–.114, are the excess amounts reported as transfers? [GASB 10, par. 64, as amended by GASB 34, par. 112 (GASB Cod. Sec. C50.125)]	_____	_____	_____

³³ The practice tip in the subsection on public entity risk pools in this section of this checklist discusses how an entity that provides insurance or risk management coverage to individuals or organizations outside the governmental reporting entity should report that activity.

³⁴ Stand-alone entities that engage only in business-type activities or fiduciary activities and that are not considered to be a part of another financial reporting entity should not use an internal service fund to report their own risk-financing activities. [GASB 10, fn. 12, as amended by GASB 14, par. 66 and GASB 34, pars. 138 and 139 (GASB Cod. Sec. 50, fn. 8)]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
4. If the entity uses an internal service fund to account for its risk financing activities:			
a. Are charges made by the internal service fund to the other funds calculated in accordance with the provisions of GASB Cod. Sec. C50.127 reported as revenue by the internal service fund and as expenditures or expenses in the paying funds?	_____	_____	_____
b. Is the excess of charges greater than the amount resulting from the application of GASB Cod. Sec. C50.127 reported in both the internal service fund and the paying funds as a transfer?	_____	_____	_____
c. If the charge by the internal service fund to the other funds fails to recover the full cost of claims over a reasonable period of time, is any deficit fund balance in the internal service fund charged back to the other funds and reported as an expenditure or expense of those funds?	_____	_____	_____
d. Do the notes to the financial statements disclose a deficit net asset balance in the internal service fund?	_____	_____	_____
e. Are net assets in the internal service fund resulting from a charge by the internal service fund to the other funds for a reasonable provision for expected future catastrophe losses disclosed in the notes to the financial statements as equity designated for future catastrophe losses? [GASB 10, pars. 67, as amended by GASB 34, par. 98 (GASB Cod. Sec. C50.128); GASB 10, par. 68, as amended by GASB 34, par. 112 (GASB Cod. Sec. C50.129)]	_____	_____	_____
5. Are risk financing internal service fund asset and liability balances that are not eliminated in the statement of net assets reported in the governmental activities column unless enterprise funds are the predominant or only participants in the risk financing internal service fund? [GASB 34, par. 62 (GASB Cod. Sec. C50.122)]	_____	_____	_____
6. Are eliminations made in the government-wide statement of activities to remove the "doubling-up" effect of risk financing internal service fund activity? [GASB 34, par. 59 (GASB Cod. Sec. C50.123)]	_____	_____	_____
7. If no accrual is made for a loss contingency, or if an exposure to loss exists in excess of the accrual, is a loss contingency disclosed if there is at least a reasonable possibility that a loss or an additional loss may occur?			
a. Does the disclosure indicate the nature of the contingency and give an estimate of the possible loss or range of loss or state that such an estimate cannot be made? [GASB 10, par. 58 (GASB Cod. Sec. C50.115)]	_____	_____	_____
8. If the entity purchases an annuity contract in a claimant's name to satisfy a claim liability and the likelihood that the entity will be required to make future payments on the claim is remote, is the annuity contract not reported in, and the related liability removed from, the entity's government-wide and proprietary fund financial statements, as appropriate? (If it is later determined that the primary liability will revert back to the entity, the liability should be reinstated on the entity's financial statements.) [GASB 10, par. 61, as amended by GASB 34, par. 6 (GASB Cod. Sec. C50.118)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>Participation in Risk Pools</i>			
9. If the entity participates in a pool in which there is a transfer or pooling (sharing) of risks among the participants of that pool, does the entity:			
a. Report its premium or required contribution (as well as additional assessments and obligations that meet the recognition criteria in Cod. Secs. C50.131 and .132) in the government-wide and fund financial statements as insurance expenditures or expenses?	_____	_____	_____
b. Does the entity disclose assessment and obligation amounts that are probable but not reasonably estimable as well as those that are reasonably possible? [GASB 10, par. 69, as amended by GASB 34, par. 6 (GASB Cod. Sec. C50.131); GASB 10, par. 70 (GASB Cod. Sec. C50.132)]	_____	_____	_____
c. Are capitalization contributions reported as a deposit if it is probable that the contribution will be returned to the entity upon either the dissolution of or the approved withdrawal from the pool?	_____	_____	_____
(1) In governmental funds, is fund balance reserved to indicate that the deposit is not appropriable for expenditure? [GASBI 4, par. 4 (GASB Cod. Sec. C50.133)]	_____	_____	_____
d. If it is not probable that a capitalization contribution will be returned:			
(1) In governmental funds, is the entire amount of the contribution reported as an expenditure in the period of the contribution; or reported initially as prepaid insurance (an asset), and reported as expenditures over the periods for which the pool is expected to provide coverage and fund balance reserved to indicate that the amount is not appropriable for expenditure?	_____	_____	_____
(2) In the government-wide and proprietary fund financial statements, is the contribution reported initially as prepaid insurance (an asset), and reported as expenses over the periods for which the pool is expected to provide coverage? [GASBI 4, pars. 5–7 (GASB Cod. Sec. C50.134, .136, and .137); GASBI 4, par. 6, as amended by GASB 34, par. 6 (GASB Cod. Sec. C50.135)]	_____	_____	_____
10. If the entity participates in a pool without transfer or pooling of risks, is a capitalization contribution reported as a deposit or a reduction of claims liabilities, as appropriate? [GASB 10, par. 71, and GASBI 4, par. 9 (GASB Cod. Sec. C50.138)]	_____	_____	_____

Retrospectively Rated Insurance Policies

11. If the entity is insured under a retrospectively rated insurance policy whose ultimate premium or required contribution is based primarily on the entity’s loss experience, does it disclose in the notes to the financial statements a contingency if it cannot estimate losses from reported and unreported claims? [GASB 10, par. 73 (GASB Cod. Sec. C50.140)]	_____	_____	_____
12. If the entity is insured under a retrospectively rated insurance policy with premiums or required contributions that are based primarily on the experience of a group of entities, does it disclose in the notes to the financial statements:			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. The fact that it is insured under a retrospectively rated insurance policy?	_____	_____	_____
b. That premiums are accrued based on the ultimate cost of the experience to date of a group of entities?	_____	_____	_____
c. A contingency if it cannot estimate losses from reported and unreported claims? [GASB 10, par. 74 (GASB Cod. Sec. C50.141)]	_____	_____	_____

Other Disclosures

13. Is disclosure made if claims liabilities include allocated or unallocated claims adjustment expenditures or expenses other than specific, incremental claims adjustment expenditures or expenses? [GASB 30, par. 9 (GASB Cod. Sec. C50, fn. 6)]	_____	_____	_____
14. Are the following disclosed in the notes to the financial statements, if applicable, including in the separately issued financial statements of component units that participate in their primary government's risk management internal service fund:			
a. A description of the risks of loss to which the entity is exposed and the way(s) in which those risks of loss are handled (for example, purchase of commercial insurance, participation in a public entity risk pool, risk retention)?	_____	_____	_____
b. A description of significant reductions in insurance coverage from coverage in the prior year by major categories of risk, and an indication whether the amount of settlements exceeded insurance coverage for each of the past three fiscal years?	_____	_____	_____
c. If an entity participates in a risk pool, a description of the nature of the participation, including the rights and the responsibilities of both the entity and the pool? [GASB 10, par. 77 and par. 79, as amended by GASB 14, par. 65 (GASB Cod. Sec. C50.144 and .147)]	_____	_____	_____
15. If an entity retains the risk of loss, does it disclose:			
a. The basis for estimating the liabilities for unpaid claims, including the effects of specific, incremental claim adjustment expenditures or expenses, salvage, and subrogation, and whether other allocated or unallocated claim adjustment expenditures or expenses are included?	_____	_____	_____
b. The carrying amount of liabilities for unpaid claims that are presented at present value in the financial statements and the range of discount rates used to discount those liabilities?	_____	_____	_____
c. The aggregate outstanding amount of claims liabilities for which annuity contracts have been purchased in the claimants' names and for which the related liabilities have been removed from the statement of net assets? (Annuity contracts used to settle claims for which the claimant has signed an agreement releasing the entity from further obligation and for which the likelihood that the pool will be required to make future payments on those claims is remote should not be included in this disclosure.)	_____	_____	_____
d. A reconciliation of changes in the aggregate liabilities for claims for the current fiscal year and the prior fiscal year, in the following tabular format:			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(1) Amount of claims liabilities at the beginning of each fiscal year?	_____	_____	_____
(2) Incurred claims, representing the total of a provision for events of the current fiscal year and any change (increase or decrease) in the provision for events of prior fiscal years?	_____	_____	_____
(3) Payments on claims attributable to events of both the current fiscal year and prior fiscal years?	_____	_____	_____
(4) Other items and explanations of each material item?	_____	_____	_____
(5) Amount of claims liabilities at the end of each fiscal year? [GASB 10, par. 77, as amended by GASB 30, par. 10 (GASB Cod. Sec. C50.144)]	_____	_____	_____

N. Special Assessments

1. Are the transactions of a service-type special assessment reported in the fund type that best reflects the nature of the transactions (usually the general fund, a special revenue fund, or an enterprise fund) as well as in the government-wide financial statements? [GASB 6, par. 14, as amended by GASB 34, par. 15 (GASB Cod. Sec. S40.114)]	_____	_____	_____
a. In the government-wide financial statements, are service-type special assessment revenues reported as charges for services, a program revenue? [GASB 37, par. 13 (GASB Cod. Sec. 2200.134)]	_____	_____	_____
2. Is general obligation debt that will be repaid, in part, from special assessments reported as general long-term liabilities only in the governmental activities column in the government-wide statement of net assets? [GASB 6, par. 17, as amended by GASB 34, par. 82 (GASB Cod. Sec. S40.116a)]	_____	_____	_____
3. Is special assessment debt for which the government <i>is not</i> obligated in any manner not displayed in the government’s financial statements? (However, if the government is liable for a portion of that debt—the public benefit portion, or as a property owner—that portion should be reported like other general long-term liabilities.) [GASB 6, par. 17 (GASB Cod. Sec. S40.116c)]	_____	_____	_____
a. Are the debt service transactions for this special assessment debt reported in an agency fund? [GASB 6, par. 19 (GASB Cod. Secs. 1300.107 and S40.119)]	_____	_____	_____
b. Is the construction phase reported in a capital projects or other appropriate fund, with the source of funds identified by a description other than “bond proceeds,” such as “contribution from property owners”? [GASB 6, par. 19 (GASB Cod. Secs. 1800.108 and S40.119)]	_____	_____	_____
c. Are the capital assets constructed or acquired reported only as general capital assets in the governmental activities column in the government-wide statement of net assets? [GASB 6, par. 19, as amended by GASB 34, par. 80 (GASB Cod. Sec. S40.119)]	_____	_____	_____
d. Is the “contribution” of the capital assets reported as program revenue with other grants or contributions restricted for capital purposes in the government-wide statement of activities? [GASB 6, par. 19, as amended by GASB 34, pars. 16 and 50 (GASB Cod. Sec. S40.125)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
e. Do the notes to the financial statements disclose the amount of the debt and the fact that the government is in no way liable for repayment but is only acting as agent for the property owners? [GASB 6, par. 21 (GASB Cod. Sec. S40.127)]	_____	_____	_____
4. For special assessment debt for which the government <i>is</i> obligated in some manner:			
a. And that debt is <i>not</i> a direct obligation of a proprietary fund nor expected to be repaid from operating revenues of a proprietary fund:			
(1) Are all expenditures reported in the same manner as any other capital improvement and financing transaction?	_____	_____	_____
(2) Is a capital projects or other appropriate fund used to report the transactions of the construction phase?	_____	_____	_____
(3) Is a debt service fund used to report the transactions of the debt service phase if legally mandated or if financial resources are being accumulated for principal and interest payments maturing in future years? [GASB 6, par. 15 (GASB Cod. Sec. S40.118)]	_____	_____	_____
(4) Is the debt reported as general long-term liabilities only in the governmental activities column in the government-wide statement of net assets? [GASB 6, pars. 15 and 17, as amended by GASB 34, par. 82 (GASB Cod. Sec. S40.116b and 118)]	_____	_____	_____
(a) Is the portion of the debt that will be repaid from property owner assessments reported as "special assessment debt with governmental commitment"? [GASB 6, par. 17 (GASB Cod. Sec. S40.116b(1))]	_____	_____	_____
(b) Is the portion of the debt that will be repaid from general resources of the government (the public benefit portion, or the amount assessed against government-owned property) reported like other general long-term liabilities? [GASB 6, par. 17, as amended by GASB 34, pars. 15, 30, and 82 (GASB Cod. Sec. S40.116b(2))]	_____	_____	_____
(5) Are the capital assets constructed or acquired reported and depreciated, as appropriate, as general capital assets only in the governmental activities column in the government-wide financial statements? [GASB 6, pars. 15, 19, and 23, as amended by GASB 34, pars. 6, 22, and 80 (GASB Cod. Secs. S40.116d and .118 and 1400.120)]	_____	_____	_____
b. And that debt that <i>is</i> a direct obligation of a proprietary fund or expected to be repaid from operating revenues of a proprietary fund:			
(1) Are all transactions reported in the same manner as any other capital improvement and financing transaction reported in proprietary funds? [GASB 6, par. 15 (GASB Cod. Sec. S40.121)]	_____	_____	_____
(2) Is the debt reported as liabilities in the proprietary fund as well as in the business-type activities column in the government-wide statement of net assets? [GASB 6, par. 23, as amended by GASB 34, par. 15 (GASB Cod. Sec. S40.116b and .123)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(3) Are capital assets constructed or acquired reported and depreciated, as appropriate, in the proprietary fund and in the business-type activities column in the government-wide financial statements? [GASB 6, pars. 15, 19, and 23, as amended by GASB 34, pars. 6, 22, 80, and 92 (GASB Cod. Secs. S40.116d, .122, and .124 and 1400.120)]	_____	_____	_____
(4) Is the "contribution" of the capital assets to the proprietary fund reported in the fund as capital contributions after non-operating revenues and expenses? [GASB 6, par. 23, as amended by GASB 34, pars. 92 and 100 (GASB Cod. Secs. 1400.120 and S40.122)]	_____	_____	_____
c. Do the notes to the financial statements disclose:			
(1) Information otherwise required by GASB standards for long-term debt?	_____	_____	_____
(2) The nature of the government's obligation, including the identification and description of any guarantee, reserve, or sinking fund established to cover defaults by property owners?	_____	_____	_____
(3) The amount of special assessment receivables that are delinquent if not separately displayed on the face of the financial statements? [GASB 6, par. 20 (GASB Cod. Sec. S40.126)]	_____	_____	_____
5. If the entity establishes a special assessment bond reserve, guarantee, or sinking fund to provide cash if the assessed property owners default, are the related transactions and balances reported in a debt service fund? [GASB 6, par. 118 (GASB Cod. Sec. S40.117)]	_____	_____	_____
6. If a special assessment district is a component unit, are the accounts of that unit, including the special assessment debt for which the component unit is obligated in some manner, included in the reporting entity financial statements in accordance with the provisions of GASB 14, even though the primary government may have no obligation for the debt? [GASB 6, par. 24, as amended by GASB 14, par. 13 (GASB Cod. Sec. S40.128)]	_____	_____	_____

VIII. Required Supplementary Information

1. Except as indicated elsewhere in this checklist, is RSI presented immediately following the notes to the financial statements? [GASB 34, par. 6 and fn. 5 (GASB Cod. Sec. 2200.102c and .178 and fns. 3 and 34)]	_____	_____	_____
2. Does RSI distinguish between information pertaining to the primary government (including its blended component units) and that of its discretely presented component units? [GASB 14, par. 62 (GASB Cod. Sec. 2600.121)]	_____	_____	_____

A. Management's Discussion and Analysis

1. Is MD&A presented preceding the basic financial statements? [GASB 34, par. 8 (GASB Cod. Sec. 2200.106)]	_____	_____	_____
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	<u>Yes</u>	<u>No</u>	<u>N/A</u>
2. Does the MD&A:			
a. Discuss the current-year results in comparison with the prior year, with emphasis on the current year? ³⁵	_____	_____	_____
b. Discuss the positive and negative aspects of the comparison with the prior year? [GASB 34, par. 9 (GASB Cod. Sec. 2200.107)]	_____	_____	_____
c. Focus on the primary government and distinguish between information pertaining to the primary government and that of its component units?	_____	_____	_____
d. Discuss matters related to a component unit based on the individual component unit's significance to the total of all discretely presented component units and that component unit's relationship with the primary government?	_____	_____	_____
e. Refer readers to the component unit's separately issued financial statements, when appropriate? [GASB 34, par. 10 (GASB Cod. Sec. 2200.108)]	_____	_____	_____
3. Does the MD&A include the following topics, if relevant:			
a. A brief discussion of the basic financial statements, including the relationships of the statements to each other, and the significant differences in the information they provide? (This discussion should include analyses that assist readers in understanding why measurements and results reported in fund financial statements either reinforce information in government-wide statements or provide additional information.)	_____	_____	_____
b. Condensed financial information derived from government-wide financial statements comparing the current year to the prior year, including:			
(1) Total assets, distinguishing between capital and other assets?	_____	_____	_____
(2) Total liabilities, distinguishing between long-term liabilities and other liabilities?	_____	_____	_____
(3) Total net assets, distinguishing among amounts invested in capital assets, net of related debt; restricted amounts; and unrestricted amounts?	_____	_____	_____
(4) Program revenues, by major source?	_____	_____	_____
(5) General revenues, by major source?	_____	_____	_____
(6) Total revenues?	_____	_____	_____
(7) Program expenses, at a minimum by function?	_____	_____	_____
(8) Total expenses?	_____	_____	_____
(9) Excess (deficiency) before contributions to term and permanent endowments or permanent fund principal, special and extraordinary items, and transfers?	_____	_____	_____
(10) Contributions?	_____	_____	_____
(11) Special and extraordinary items?	_____	_____	_____
(12) Transfers?	_____	_____	_____

³⁵ If a government is presenting comparative prior-year financial statements, the MD&A should address both years presented in the comparative financial statements and include comparative condensed financial information and related analysis for both years. That is, the MD&A should discuss both (a) the current-year results in comparison with the prior year and (b) the prior-year results in comparison with the second prior year. Completely separate MD&As are not required. [Q&A, item 7.14; AAG-SLV, par. 14.55]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(13) Change in net assets?	_____	_____	_____
(14) Ending net assets?	_____	_____	_____
c. An analysis of the government’s overall financial position and results of operations that addresses whether financial position has improved or deteriorated as a result of the year’s operations? (The analysis should address both governmental and business-type activities and should include reasons for significant changes from the prior year and important economic factors that significantly affected operating results for the year.)	_____	_____	_____
d. An analysis of balances and transactions of individual funds, including the reasons for significant changes in fund balances or fund net assets and whether restrictions, commitments, or other limitations significantly affect the availability of fund resources for future use?	_____	_____	_____
e. An analysis of significant variations between original and final budget amounts and between final budget amounts and actual budget results for the general fund (or its equivalent), including any currently known reasons for those variations that are expected to have a significant effect on future services or liquidity?	_____	_____	_____
f. A description of significant capital asset and long-term debt activity during the year, including a discussion of commitments made for capital expenditures, changes in credit ratings, and debt limitations that may affect the financing of planned facilities or services? (Alternatively, the MD&A could summarize information disclosed in the notes to the financial statements as required by GASB Cod. Sec. 2300.111–.115 and refer to it for additional details.)	_____	_____	_____
g. A discussion by governments that use the modified approach to report some or all of their infrastructure assets, including:			
(1) Significant changes in the assessed condition of eligible infrastructure assets from previous condition assessments?	_____	_____	_____
(2) How the current assessed condition compares with the condition level the government has established?	_____	_____	_____
(3) Any significant differences from the estimated annual amount to maintain/preserve eligible infrastructure assets compared with the actual amounts spent during the current period?	_____	_____	_____
h. A description of currently known (as of the date of the auditor’s report) facts, decisions, or conditions that are expected to have a significant effect on financial position or results of operations? [GASB 34, par. 11 and fns. 6 and 8, as amended by GASB 37, par. 5 (GASB Cod. Sec. 2200.109 and fns. 6 and 9)]	_____	_____	_____
4. Is MD&A confined to the topics listed in Question 3? (Governments can provide additional details about the required topics. However, information that does not relate to the required topics should not be included in MD&A, but may be provided elsewhere, such as in the letter of transmittal or in other forms of supplementary information.) [GASB 37, par. 4 (GASB Cod. Sec. 2200.109 and fn. 8)]	_____	_____	_____

B. Budgetary Comparison Schedules

Practice Tips

In general, governments may elect to report the required budgetary comparison information in budgetary comparison statements as part of the basic financial statements, rather than as RSI. (Governments that present their budgetary comparison information based on the fund, organization, or program structure that it uses for its legally adopted budget are required to present the information as RSI and can not choose to present it in the basic financial statements.) If presented in the basic financial statements, the budgetary comparison statement and notes to the financial statements should include the same items of information indicated below for RSI. [GASB 34, fn. 53, as amended by GASB 41, par. 3 (GASB Cod. Secs. 2200, fn. 35, and 2400, fn. 1); GASB 34, fn. 56 (GASB Cod. Secs. 2200, fn. 38, and 2400, fn. 5)]

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

- | | | | |
|---|--|--|--|
| <p>1. Does the entity present budgetary comparison schedules for the general fund and for each major special revenue fund that has a legally adopted annual budget?
[GASB 34, par. 130 (GASB Cod. Secs. 2200.179 and 2400.102)]</p> <p style="margin-left: 20px;">a. If the entity has significant budgetary perspective differences that result in its not being able to present budgetary comparisons for the general fund and each major special revenue fund, does it present budgetary comparison schedules for the activities reported in those funds based on the fund, organization, or program structure that the government uses for its legally adopted budget?
[GASB 41, par. 3 (GASB Cod. Secs. 2200.179 and fn. 36, and 2400.102 and fn. 2)]</p> <p style="margin-left: 20px;">b. If a budget is not adopted for the general or a major special revenue fund because it is not legally required and, therefore, presentation of budgetary comparison information is not required, is that situation disclosed in the notes to RSI?
[AAG-SLV, pars. 11.16 and 14.55]</p> | <p>_____</p> <p>_____</p> <p>_____</p> | <p>_____</p> <p>_____</p> <p>_____</p> | <p>_____</p> <p>_____</p> <p>_____</p> |
| <p>2. Does the budgetary comparison schedule present:</p> <p style="margin-left: 20px;">a. The original appropriated budgets for the reporting period?</p> <p style="margin-left: 20px;">b. The final appropriated budgets for the reporting period?</p> <p style="margin-left: 20px;">c. Actual inflows, outflows, and balances, stated on the government’s budgetary basis?
[GASB 34, par. 130 (GASB Cod. Secs. 2200.179 and 2400.102)]</p> | <p>_____</p> <p>_____</p> <p>_____</p> | <p>_____</p> <p>_____</p> <p>_____</p> | <p>_____</p> <p>_____</p> <p>_____</p> |
| <p>3. Is the budgetary comparison schedule presented either using the same format, terminology, and classifications as the budget document, or using the format, terminology, and classifications in a statement of revenues, expenditures, and changes in fund balances?
[GASB 34, par. 131 (GASB Cod. Secs. 2200.180 and 2400.103)]</p> | <p>_____</p> | <p>_____</p> | <p>_____</p> |
| <p>4. Are individual fund budgetary comparisons presented at the legal level of budgetary control? (If the government presents budgetary comparisons at the legal level of control as supplementary information or in a separate budgetary report that is referred to from the notes to RSI, the presentation of required budgetary comparison information in</p> | <p>_____</p> | <p>_____</p> | <p>_____</p> |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
RSI may be made at a level that aggregates budgetary accounts through revenue source and expenditure function or program.) [NCGAI 10, par. 14, as amended by GASB 34 (GASB Cod. Sec. 2400.121); AAG-SLV, par. 11.12]	_____	_____	_____
5. Is the schedule accompanied by information (either in a separate schedule or in notes to RSI) that reconciles budgetary information to GAAP information? [NCGAI 10, par. 25, as amended by GASB 34, par. 131 (GASB Cod. Secs. 2200.180 and 2400.103 and .119)]	_____	_____	_____
6. Do notes to RSI disclose excesses of expenditures over appropriations in individual funds presented in the budgetary comparison? [GASB 37, par. 19 (GASB Cod. Secs. 2200.180 and 2400.103)]	_____	_____	_____
7. Do notes to RSI refer to a separate budgetary report, if one is prepared? [NCGAI 10, par. 14, as amended by GASB 34, par. 131 (GASB Cod. Sec. 2400.121)]	_____	_____	_____

C. Modified Approach for Eligible Infrastructure Assets

1. Does the entity present the following schedules, derived from asset management systems, for all eligible infrastructure assets that are reported using the modified approach: ³⁶			
a. The assessed condition, performed at least every three years, for at least the three most recent complete condition assessments, indicating the dates of the assessments?	_____	_____	_____
b. The estimated annual amount calculated at the beginning of the fiscal year to maintain and preserve at (or above) the condition level established and disclosed by the government compared with the amounts actually expensed for each of the past five reporting periods? [GASB 34, par. 132 (GASB Cod. Sec. 1400.118)]	_____	_____	_____
c. If a government applies the modified approach to subsystems of infrastructure assets (rather than at the network level), is the information in these schedules by subsystem? [GASB 34, fn. 57 (GASB Cod. Sec. 1400, fn. 11)]	_____	_____	_____
2. Do the following disclosures accompany the schedules:			
a. The basis for the condition measurement and the measurement scale used to assess and report condition?	_____	_____	_____
b. The condition level at which the government intends to preserve its eligible infrastructure assets reported using the modified approach?	_____	_____	_____
c. Factors that significantly affect trends in the information reported in the required schedules, including any changes in the measurement scale, the basis for the condition measurement, or the condition assessment methods used during the periods covered by the schedules?	_____	_____	_____
d. If there is a change in the condition level at which the government intends to preserve eligible infrastructure assets, an estimate of the	_____	_____	_____

³⁶ The three most recent complete condition assessments and the estimated and actual amounts to maintain and preserve the infrastructure assets for the previous five reporting periods may not be available initially. In these cases, the required information should be presented for as many complete condition assessments and years of estimated and actual expenses as are available. [GASB 34, par. 153 (GASB Cod. Sec. 1400.130)]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
effect of the change on the estimated annual amount to maintain and preserve those assets for the current period? [GASB 34, par. 133 (GASB Cod. Sec. 1400.119)]	_____	_____	_____

D. Pension Plans (Defined Benefit)

The separate checklist, *Checklists and Illustrative Financial Statements for Governmental Employee Benefit Plans*, addresses RSI in the stand-alone financial reports for governmental defined benefit pension plans. The subsection on pension plans in the section of this checklist titled “Specialized Topics” addresses RSI when the plan is included in the financial statements of the plan sponsor or employer.

E. Pensions—Employer Reporting

See the subsection on pensions—employer reporting in the section of this checklist titled “Specialized Topics.”

F. Public Entity Risk Pools

See the subsection on public entity risk pools in the section of this checklist titled “Specialized Topics.”

Appendix A: Applying Post-November 30, 1989 FASB and AICPA Pronouncements to Enterprise Funds and Business-Type Activities

GASB 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended by GASB 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, provides guidance on the applicability of FASB pronouncements in government-wide and proprietary fund financial statements. It provides that those financial statements should apply FASB pronouncements issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. GASB 20, paragraph 7, also provides that enterprise funds and the resulting reporting as business-type activities in the government-wide financial statements may elect to apply *all* FASB pronouncements issued after November 30, 1989, *except for* those that conflict with or contradict GASB pronouncements. The following chart lists FASB pronouncements issued after November 30, 1989, and, for those issued through December 2003, indicates their applicability to governments that apply paragraph 7 of GASB 20, as amended. This chart is adapted from the nonauthoritative chart that is available on the GASB Web site at www.gasb.org, which is periodically updated for new FASB pronouncements. Check the GASB Web site for updated information about the applicability of FASB pronouncements issued after December 2003 as well as for any changes to the following guidance.

Applicability of FASB Pronouncements Issued after November 30, 1989 Under GASB 20, paragraph 7

FASB Statements	Apply?
SFAS 103, <i>Accounting for Income Taxes—Deferral of the Effective Date of FASB Statement No. 96</i>	Not applicable to governments.
SFAS 104, <i>Statement of Cash Flows—Net Reporting of Certain Cash Receipts and Cash Payments and Classification of Cash Flows From Hedging Transactions</i>	Yes—See par. 74 of GASB 9.

FASB Statements	Apply?
SFAS 105, <i>Disclosure of Information About Financial Instruments With Off-Balance-Sheet Risk and Financial Instruments With Concentrations of Credit Risk</i>	No—Superseded by SFAS 133.
SFAS 106, <i>Employers' Accounting for Postretirement Benefits Other Than Pensions</i>	Optional based on GASB 12. Entities <i>may</i> apply the provisions of GASB 27. When GASB 45 becomes effective the answer will be no.
SFAS 107, <i>Disclosures About Fair Value of Financial Instruments</i>	In Part—GTB 03-1 requires disclosure of fair value for derivatives not reported at fair value. GASB 31 requires many investments to be reported at fair value and provides related disclosures for investments within its scope.
SFAS 108, <i>Accounting for Income Taxes—Deferral of the Effective Date of FASB Statement No. 96</i> , and SFAS 109, <i>Accounting for Income Taxes</i>	Not applicable to governments.
SFAS 110, <i>Reporting by Defined Benefit Pension Plans of Investment Contracts</i>	No—Apply GASB 25.
SFAS 111, <i>Rescission of FASB Statement No. 32 and Technical Corrections</i>	Yes—Except for corrections of standards that conflict with GASB standards (SFAS 14 and 76).
SFAS 112, <i>Employers' Accounting for Postretirement Benefits</i>	Optional based on GASB 12. When GASB 45 becomes effective the answer will be no.
SFAS 113, <i>Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts</i>	No—Apply GASB 10, as amended.
SFAS 114, <i>Accounting by Creditors for Impairment of a Loan</i>	Yes
SFAS 115, <i>Accounting for Certain Investments in Debt and Equity Securities</i>	No—Apply GASB 31.
SFAS 116, <i>Accounting for Contributions Received and Contributions Made</i>	No ³⁷ —Apply GASB 33.
SFAS 117, <i>Financial Statements of Not-for-Profit Organizations</i>	No ³⁸
SFAS 118, <i>Accounting for Creditors for Impairment of a Loan—Income Recognition and Disclosures</i>	Yes
SFAS 119, <i>Disclosures About Derivative Financial Instruments and Fair Value of Financial Instruments</i>	No—Superseded by SFAS 133.
SFAS 120, <i>Accounting and Reporting by Mutual Life Insurance Enterprises and by Insurance Enterprises for Certain Long-Duration Participating Contracts</i>	No—Apply GASB 10, as amended.

³⁷ GASB 29, *The Use of Not-for-Profit Accounting and Financial Reporting Principles by Governmental Entities*, as amended by GASB 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, provides that enterprise funds and the resulting reporting as business-type activities in the government-wide financial statements should apply only those FASB Statements and Interpretations issued after November 30, 1989, that are developed for business enterprises. They should not apply FASB Statements and Interpretations whose provisions are limited to not-for-profit organizations, such as SFAS 117 and SFAS 124, or address issues concerning primarily such organizations, such as SFAS 116.

³⁸ See footnote 37.

FASB Statements	Apply?
SFAS 121, <i>Accounting for Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of</i>	Yes—When GASB 42 becomes effective the answer will be no.
SFAS 122, <i>Accounting for Mortgage Servicing Rights</i>	No—Superseded by SFAS 124 and 140.
SFAS 123, <i>Accounting for Stock-Based Compensation</i>	Not applicable to governments.
SFAS 124, <i>Accounting for Certain Investments Held by Not-for-Profit Organizations</i>	No ³⁹
SFAS 125, <i>Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities</i>	No—Superseded by SFAS 140.
SFAS 126, <i>Exemption From Certain Required Disclosures About Financial Instruments for Certain Non-public Entities (an Amendment of FASB Statement No. 107)</i>	In Part—See SFAS 107 above. Decision on whether to discontinue application of SFAS 107 should be based on the prevalent practice in the reporting entity's industry (such as healthcare, power utility, and so forth).
SFAS 127, <i>Deferral of the Effective Date of Certain Provisions of FASB Statement No. 125</i>	No—Superseded by SFAS 140.
SFAS 128, <i>Earnings per Share</i>	Not applicable to governments.
SFAS 129, <i>Disclosure of Information About Capital Structure</i>	Yes—Par. 4 applies to debt issued by all entities.
SFAS 130, <i>Reporting Comprehensive Income</i>	No—Separately reporting <i>other comprehensive income</i> conflicts with the reporting requirements of GASB 34.
SFAS 131, <i>Financial Reporting for Segments of a Business Enterprise</i>	No—GASB 34, as amended by GASB 37, establishes segment reporting requirements for governments.
SFAS 132, <i>Employers' Disclosures About Pensions and Other Postretirement Benefits</i>	No—Superseded by SFAS 132(R).
SFAS 132(R) (revised 2003), <i>Employers' Disclosures About Pensions and Other Postretirement Benefits</i>	In Part—Only for provisions that amend disclosures required by SFAS 106, which is optional for entities that adopt paragraph 7 of GASB 20. Disclosures related to SFAS 87 and 88 do not apply. When GASB 45 becomes effective the answer will be no.
SFAS 133, <i>Accounting for Derivative Instruments and Hedging Activities</i>	In Part—Reporting gains and losses in <i>other comprehensive income</i> conflicts (see SFAS 130 above). Because the guidance in GASB 31 for investments is similar to the investment standards for not-for-profit entities in SFAS 124, the guidance in paragraph 43 of SFAS 133 applies to the extent it does not conflict with GASB pronouncements. GASB 31 requires all investment income, including changes in the fair

³⁹ See footnote 37.

FASB Statements	Apply?
	value of investments, to be recognized as revenue in the statement of changes and the statement of activities. GASB 34 requires investment income to be reported with nonoperating income (or operating revenue if appropriate [fn. 34]).
SFAS 134, <i>Accounting for Mortgage-Backed Securities Retained After the Securitization of Mortgage Loans Held for Sale by a Mortgage Banking Enterprise</i>	No—Relates to classifications of securities under SFAS 115. See SFAS 115 above.
SFAS 135, <i>Rescission of FASB Statement No. 75 and Technical Corrections</i>	Yes—To the extent that it corrects currently applicable FASB pronouncements issued after November 30, 1989, and amends SFAS 35 and rescinds SFAS 75. For example, corrections to SFAS 87 and to the standards noted in this table as conflicting would not apply.
SFAS 136, <i>Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others</i>	No ⁴⁰
SFAS 137, <i>Accounting for Derivative Instruments and Hedging Activities—Deferral of the Effective Date of FASB Statement No. 133</i>	Yes—See SFAS 133 above.
SFAS 138, <i>Accounting for Certain Derivative Instruments and Certain Hedging Activities</i>	Yes—See SFAS 133 above.
SFAS 139, <i>Rescission of FASB Statement No. 53 and Amendments to FASB Statements No. 63, 89, and 121</i>	Yes
SFAS 140, <i>Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities</i>	In Part—Portions pertaining to reverse repurchase agreements, securities lending transactions, measurement of investments, and extinguishments of debt should not be applied. See GASB 3, 7, 23, 28, and 31.
SFAS 141, <i>Business Combinations</i>	In Part—Applicable GASB Statements should be used in assigning amounts to assets acquired and liabilities assumed (for example, GASB 13 for operating leases with scheduled rent increases, GASB 16 for compensated absences, GASB 27 for pension liabilities, GASB 31 for investments within its scope, and GASB 45 (when effective) for OPEB liabilities). SFAS 141 applies to only business combinations (paragraph 6 of EITF 98-3 discusses the term <i>business</i>). It does not apply to combinations of or acquisitions by <i>not-for-profit</i>

⁴⁰ See footnote 37.

FASB Statements	Apply?
	<i>organizations</i> , or to combinations of <i>mutual enterprises</i> (see glossary of SFAS 141). Many governmental enterprises have characteristics similar to those entities to which SFAS does not apply.
SFAS 142, <i>Goodwill and Other Intangible Assets</i>	In Part—Apply GASB 42 (when effective) to impairment of tangible capital assets. SFAS 142 does not apply to intangibles acquired in combinations between mutual enterprises (see glossary of SFAS 142), between not-for-profit organizations, or arising from acquisition of a not-for-profit business by a not-for-profit. Many governmental enterprises have characteristics similar to those entities to which SFAS 141 does not apply.
SFAS 143, <i>Accounting for Asset Retirement Obligations</i>	In Part—Does not apply to municipal solid waste closure and postclosure care costs (see GASB 18).
SFAS 144, <i>Accounting for the Impairment or Disposal of Long-Lived Assets</i>	In Part—Apply GASB 42 (when effective) to impairment of tangible capital assets.
SFAS 145, <i>Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections</i>	Yes—To the extent that it corrects currently applicable FASB pronouncements, except that subparagraph 9b conflicts with paragraph 56 of GASB 34 and subparagraphs f and g conflict with GASB 9 and 31. SFAS 4 conflicted with paragraph 55 of GASB 34.
SFAS 146, <i>Accounting for Costs Associated With Exit or Disposal Activities</i>	In Part—Accounting for special termination benefits should follow NCGAI 8, paragraph 12 (and 6 through 8), as amended. The requirement in paragraph 18 for separate reporting of discontinued operations conflicts with the format required by GASB 34.
SFAS 147, <i>Acquisitions of Certain Financial Institutions</i>	Yes—Does not apply to transactions between mutual enterprises. Many governmental enterprises have similar characteristics. Apply GASB 42 (when effective) to impairment of tangible capital assets.
SFAS 148, <i>Accounting for Stock-Based Compensation—Transactions and Disclosures</i>	Not applicable to governments.
SFAS 149, <i>Amendment of Statement 133 on Derivative Instruments and Hedging Activities</i>	In Part—The discussion of the applicability of SFAS 133 applies to the amendments to SFAS 133.

FASB Statements	Apply?
SFAS 150, <i>Accounting for Certain Financial Instruments With Characteristics of Both Liabilities and Equity</i>	Yes

FASB Interpretations	Apply?
FASBI 39, <i>Offsetting of Amounts Related to Certain Contracts</i>	Yes ⁴¹
FASBI 40, <i>Applicability of Generally Accepted Accounting Principles to Mutual Life Insurance and Other Enterprises</i>	Yes
FASBI 41, <i>Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements</i>	No—Provisions of GASB 3, par. 81, apply.
FASBI 42, <i>Accounting for Transfers of Assets In Which a Not-for-Profit Organization is Granted Variance Power</i>	No ⁴²
FASBI 43, <i>Real Estate Sales</i>	Yes
FASBI 44, <i>Accounting for Certain Transactions Involving Stock Compensation</i>	Not applicable to government.
FASBI 45, <i>Guarantors' Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others</i>	No—Provisions of NCGAS 4, paragraphs 9 and 14, as amended by GASB 10 and 34, paragraph 69, apply.
FASBI 46, <i>Consolidation of Variable Interest Entities</i>	No—Superseded by FASBI 46(R).
FASBI 46(R) (revised 2003), <i>Consolidation of Variable Interest Entities</i>	No—Provisions of GASB 14, paragraph 81, apply.

FASB Technical Bulletins ⁴³	Apply?
FTB 94-1, <i>Application of Statement 115 to Debt Securities Restructured in a Troubled Debt Restructuring</i>	No—See SFAS 115.
FTB 97-1, <i>Accounting Under Statement 123 for Certain Employee Stock Purchase Plans With a Look-Back Option</i>	No— See SFAS 123.
FTB 01-1, <i>Effective Date for Certain Financial Institutions of Certain Provisions of Statement 140 Related to the Isolation of Transferred Financial Assets</i>	To the extent that SFAS 140 applies.

Applicability of AICPA Pronouncements under GASB 20, paragraph 7

Paragraph 33 in the Basis for Conclusions of GASB 20 also provides that AICPA pronouncements issued after November 30, 1989, and not

⁴¹ This Interpretation does not apply to reinsurance transactions of public entity risk pools, however, which are addressed in GASB 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*.

⁴² See footnote 37.

⁴³ GASB and FASB Technical Bulletins are issued by the GASB and FASB staff. In the hierarchy of generally accepted accounting principles (GAAP), Technical Bulletins constitute level b GAAP guidance, after Statements and Interpretations. Technical Bulletins may be issued if a majority of the Board does not object to their issuance.

specifically made applicable to governmental entities should be applied using the same logic used in the application of FASB pronouncements. Many of the AICPA pronouncements issued after November 30, 1989, provide guidance on specialized industries. However, preparers should note these AICPA pronouncements in particular:

- *Audit and Accounting Guide Depository and Lending Institutions: Banks and Savings Institutions, Credit Unions, Finance Companies and Mortgage Companies*
- *Statement of Position (SOP) 94-6, Disclosure of Certain Risks and Uncertainties*
- *SOP 96-1, Environmental Remediation Liabilities*
- *SOP 97-1, Accounting by Participating Mortgage Loan Borrowers*
- *SOP 97-3, Accounting by Insurance and Other Enterprises for Insurance-Related Assessments*
- *SOP 98-1, Accounting for Computer Software Developed or Obtained for Internal Use*
- *SOP 98-5, Reporting on the Costs of Start-Up Activities*

The Audit and Accounting Guides *Audits of Property and Liability Insurance Companies* and *Audits of Providers of Health Care Services*, and SOP 98-2, *Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Governmental Entities That Include Fund Raising*, were cleared by the GASB and include governmental entities in their scope. For this reason, these Guides constitute level b guidance in the hierarchy of generally accepted accounting principles for all business-type activities regardless of the provisions of GASB 20.

Transition Provisions of FASB and AICPA Pronouncements

Governments should report all changes in accounting principles to apply FASB and AICPA pronouncements as restatements of beginning net assets, not as a separately identified cumulative effect in the current-period statement of revenues, expenses, and changes in fund net assets (or statement of activities, if provided). Footnote 13 of GASB 34 codifies this approach historically used in GASB Statements.

Appendix B: GASB 40, GASB 42, and GASB 43

GASB 40

The provisions of GASB 40, *Deposit and Investment Risk Disclosures*, are effective for financial statements for periods beginning after June 15, 2004, with earlier application encouraged. The disclosures in this appendix should be included in an entity's notes to the financial statements if GASB 40 is early implemented. In addition, GASB 40 rescinds or supersedes certain disclosure requirements of GASB 3, *Deposits With Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, GASB 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB 28, *Accounting and Financial Reporting for Securities Lending Transactions*, as noted earlier in this checklist. Note that the disclosure requirements below are not included in the June 30, 2002, *GASB Codification*. Appendix D of GASB 40 provides instructions for codifying the pronouncement's standards.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
1. Are the investment disclosures organized by investment type, unless otherwise required? [GASB 40, par. 4]	_____	_____	_____
2. Are the disclosures required by GASB 40 made for the primary government, including its blended component units, with the risk disclosures also made for governmental and business-type activities, individual major funds, nonmajor funds in the aggregate, or fiduciary funds when the risk exposures are significantly greater than the deposit and investment risks of the primary government? [GASB 40, par. 5]	_____	_____	_____
3. Do the notes briefly describe the entity's deposit and investment policies related to the risks that GASB 40 requires to be disclosed? [GASB 40, par. 6]	_____	_____	_____
4. Are the following disclosures made:			
a. The credit quality ratings of investments in debt securities (including investments in external investment pools, money market funds, bond mutual funds, and other pooled investments of fixed income securities) as described by rating agencies as of the financial statement date? (In general, obligations of the U.S. government and obligations explicitly guaranteed by the U.S. government do not require this disclosure. In addition, if a credit quality disclosure is required and the investment is unrated, the disclosure should indicate that fact.) [GASB 40, par. 7]	_____	_____	_____
b. If the entity has deposits as of the financial statement date that are exposed to custodial credit risk as defined by GASB 40, par. 8, the amount of the bank balances, the fact those balances are uninsured, and the basis on which the balances are exposed to custodial credit risk? [GASB 40, par. 8]	_____	_____	_____
c. If the entity has investment securities (including securities underlying repurchase agreements) as of the financial statement date that are exposed to custodial credit risk as defined by GASB 40, par. 9, the investments' type, the reported amount, and how the securities are held? (Investments in external investment pools, investments in open-end mutual funds, and securities underlying reverse repurchase agreements do not require this disclosure.) [GASB 40, par. 9]	_____	_____	_____
d. Custodial credit risk for collateral and underlying securities for securities lending transactions as provided by GASB 40, par. 10? [GASB 40, par. 10]	_____	_____	_____
e. The amount and issuer when investments in any one issuer represents 5 percent or more of total investments based on the level of detail described in GASB 40, par. 5? (Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments do not require this disclosure.) [GASB 40, pars. 11–13]	_____	_____	_____
f. Information about the interest rate risk of debt investments using a disclosure method described in GASB 40, par. 15, with information about assumptions regarding cash flows, interest rate factors, and other factors that affect interest rate risk? [GASB 40, pars. 14 and 15]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
g. The terms of investments with fair values that are highly sensitive to changes in interest rates? [GASB 40, pars. 14 and 16]	_____	_____	_____
h. U.S. dollar balances of deposits and investments that are exposed to foreign currency risk, organized by currency denomination and, if applicable, investment type? [GASB 40, par. 17]	_____	_____	_____

GASB 42

The provisions of GASB 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, are effective for financial statements for periods beginning after December 15, 2004, with earlier application encouraged. The disclosures in this appendix should be included in an entity's notes to the financial statements if GASB 42 is early implemented. Note that the disclosure requirements below are not included in the June 30, 2003, *GASB Codification*. Appendix F of GASB 42 provides instructions for codifying the pronouncement's standards.

1. Are impairment losses (and accounting gains that result from insured impairments) reported in the statement of activities and statement of revenues, expenses, and changes in fund net assets, if appropriate, as a program or operating expense, special item, or extraordinary item, as appropriate? [GASB 42, par. 17 and fn. 6]	_____	_____	_____
2. Are impairment losses appropriately reported as program expense generally reported as a direct expense of the program that uses or used the impaired capital asset?	_____	_____	_____
3. If not otherwise apparent from the face of the financial statements, do the notes to the financial statements disclose a general description, the amount, and the financial statement classification of the impairment loss? [GASB 42, par. 17]	_____	_____	_____
4. Is the carrying amount of impaired capital assets that are idle at year-end disclosed, regardless of whether the impairment is considered permanent or temporary? [GASB 42, par. 20]	_____	_____	_____
5. In governmental fund financial statements, is the restoration or replacement of an impaired capital asset reported as a transaction separate from the associated insurance recovery?	_____	_____	_____
a. Is the insurance recovery reported as another financing source or extraordinary item, as appropriate?	_____	_____	_____
6. In governmental and business-type activities in government-wide financial statements and in proprietary fund financial statements, is the restoration or replacement of an impaired capital asset reported as a transaction separate from the impairment loss and associated insurance recovery?	_____	_____	_____
a. Is the impairment loss reported net of the associated insurance recovery when the recovery and loss occur in the same year?	_____	_____	_____
b. Are insurance recoveries reported in subsequent years reported as a program revenue, nonoperating revenue, or extraordinary item, as appropriate? [GASB 42, par. 21]	_____	_____	_____

- | | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|---|------------|-----------|------------|
| 7. Are insurance recoveries other than those related to impairment of capital assets, such as for theft or embezzlement of cash or other monetary assets, reported as described in Questions 5 and 6?
[GASB 42, par. 22] | _____ | _____ | _____ |
| 8. If not otherwise apparent in the financial statements, do the notes to the financial statements disclose the amount and financial statement classification of insurance recoveries?
[GASB 42, par. 21] | _____ | _____ | _____ |

GASB 43

GASB 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes accounting and financial reporting standards for plans that provide postemployment benefits other than pension benefits (known as other postemployment benefits or OPEB). GASB 43 defines OPEB as (a) postemployment healthcare benefits and (b) other types of postemployment benefits (for example, life insurance) if provided separately from a pension plan. The term *plans* refers to trust or other funds through which assets are accumulated to finance OPEB, and benefits are paid as they come due. GASB 43 applies if the OPEB plan is reported in the financial statements of a participating employer or plan sponsor or separately reported by a public employee retirement system (PERS) or other entity that administers the plan.
[GASB 43, par. 1]

GASB 43 supersedes GASB 26, *Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans*, and amends various other GAAP requirements relating to the financial reporting for OPEB plans. The provisions of GASB 43 are effective (1) in three phases based on the implementation phase for the employer (for single-employer plans) or for the largest participating employer in the plan (for multiple-employer plans) for purposes of applying GASB 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, and (2) one year prior to the effective date of the related GASB Statement, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which the GASB is expected to issue in June 2004 as GASB 45. Specifically:

If the sole or largest participating employer’s GASB Statement No. 34 phase was	The plan should apply GASB Statement No. 43 for periods beginning after
Phase 1	December 15, 2005
Phase 2	December 15, 2006
Phase 3	December 15, 2007

Early implementation of GASB 43 is encouraged. A future edition of the separate checklist, *Checklists and Illustrative Financial Statements for Governmental Employee Benefit Plans*, will address GASB 43 requirements for stand-alone financial reports for governmental OPEB plans. The questions in that checklist about GASB 43 generally also will be able to be applied when such plans are included in the sponsor’s or employer’s financial statements. This appendix includes questions that address additional financial reporting and disclosure requirements when such plans are included in a sponsor’s or employer’s financial statements.

Yes No N/A

If a defined benefit OPEB plan’s financial statements are presented in both an employer’s report and a publicly available stand-alone plan financial report that complies with the provisions of GASB 43, and the employer discloses information about how to obtain the stand-alone plan financial report, the employer may limit its OPEB trust fund disclosures. Specifically, it need not include certain disclosures that will be listed in *Checklists and Illustrative Financial Statements for Governmental Employee Benefit Plans* about classes of employees covered and the current membership, benefit provisions, contributions, reserves, funded status, and funding progress. [GASB 43, pars. 30 and 41]

The disclosures in this appendix should be included if an entity is required to or does implement GASB 43. Note that the disclosure requirements below are not included in the June 30, 2003, *GASB Codification*. Appendix F of GASB 43 provides instructions for codifying the pronouncement’s standards.

Defined Benefit OPEB Plans—Sponsor and Employer Reporting

- | | | | |
|--|--------------|--------------|--------------|
| <p>1. Are defined benefit OPEB plans, including those that are fiduciary component units, included as employee benefit trust or agency funds in the entity’s financial statements? (Note that trust fund reporting is limited to plans that are administered as trusts or equivalent arrangements and in which (a) employer contributions to the plan are irrevocable, (b) plan assets are dedicated to providing benefits to their retirees and their beneficiaries in accordance with the terms of the plan, and (c) plan assets are legally protected from creditors of the employer(s) or the plan administrator.)
[GASB 43, pars. 4, 8, 17, and 41]</p> | <p>_____</p> | <p>_____</p> | <p>_____</p> |
| <p>2. Is each plan considered a separate fund?</p> | <p>_____</p> | <p>_____</p> | <p>_____</p> |
| <p>3. Are the financial statements for individual plans presented in the notes to the sponsor’s or employer’s financial statements if the plans have not issued separate financial reports that include financial statements prepared in conformity with GAAP and, if applicable, required supplementary information (RSI)?</p> | <p>_____</p> | <p>_____</p> | <p>_____</p> |
| <p>4. If the plans have issued separate financial reports that include financial statements prepared in conformity with GAAP and, if applicable, RSI, do the notes instead include information about how to obtain those separate reports?
[GASB 43, par. 15]</p> | <p>_____</p> | <p>_____</p> | <p>_____</p> |

Required Supplementary Information—Sponsor and Employer Reporting

- | | | | |
|--|--------------|--------------|--------------|
| <p>5. For each plan that is administered as a trust or equivalent arrangement, are schedules of funding progress and employer contributions and notes to RSI as required by GASB 43, pars. 35–37, included as RSI in the employer’s financial report unless (a) the required schedules are included with the plan’s financial statements in a publicly available, stand-alone plan financial report and (b) the employer discloses in its notes to the financial statements information about how to obtain the stand-alone plan financial report?</p> | <p>_____</p> | <p>_____</p> | <p>_____</p> |
| <p>6. For each single employer plan for which (a) the required schedules are included with the plan’s financial statements in a publicly available, stand-alone plan financial report and (b) the employer includes</p> | <p>_____</p> | <p>_____</p> | <p>_____</p> |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
in its notes to the financial statements information about how to obtain the stand-alone plan financial report, is a schedule of funding progress and notes to RSI presented as required by GASB 43, pars. 35 and 37, for the three most recent actuarial valuations? [GASB 43, par. 32]	_____	_____	_____
<i>Defined Contribution OPEB Plans—Employer Reporting</i>			
7. Are defined contribution OPEB plans included as employee benefit trust funds in the entity’s financial statements? [GASB 43, par. 42]	_____	_____	_____
8. Is each plan considered a separate fund? [Generally Accepted]	_____	_____	_____
9. Do the notes to the financial statements of the plan include the following disclosures when the financial statements are presented in a stand-alone report or solely in the financial report of an employer:			
<i>a.</i> A plan description, including:			
(1) Identification of the plan as a defined contribution plan and disclosure of the number of participating employers and other contributing entities?	_____	_____	_____
(2) Classes of employees covered (for example, general employees, public safety employees) and the total current membership?	_____	_____	_____
(3) Brief description of plan provisions and the authority under which they are established or may be amended?	_____	_____	_____
(4) Contribution requirements (for example, the contribution rates in dollars or as a percentage of salary) of the plan members, employers, and other contributing entities and the authority under which the requirements are established or may be amended?	_____	_____	_____
<i>b.</i> A summary of significant accounting policies, including the basis of accounting, fair value of plan assets (unless plan assets are reported at fair value), and a brief description of how the fair value is determined?	_____	_____	_____
<i>c.</i> Identification of concentrations in investments (other than those issued or guaranteed by the U.S. government or those in mutual funds) in any one organization that represent 5 percent or more of plan net assets?	_____	_____	_____
10. When a plan’s financial statements are presented in both an employer’s report and a publicly available stand-alone plan report that includes all disclosures indicated in Question 9 above, and the employer limits its plan disclosures to those in Questions 9 <i>a</i> (1), 9 <i>b</i> , and 9 <i>c</i> above, has the employer disclosed information about how to obtain the stand-alone plan financial report? [GASB 25, par. 41 (GASB Cod. Sec. Pe6.104); GASB 43, par. 42; Q&A, item 5.79]	_____	_____	_____

^{|||||||} GASB 40 supersedes GASB 25, par. 41c, to clarify that this disclosure requirement does not apply to investments in mutual funds, external investment pools, and other pooled investments. GASB 40 is effective for financial statements for periods beginning after June 15, 2004, with earlier application encouraged. See the further discussion and questions about GASB 40 in this appendix.

FSP Section 13,200

Auditors' Reports Checklist

.01 This checklist can be used by auditors in reporting on audits of financial statements in accordance with generally accepted auditing standards (GAAS). Illustrative auditor's reports are in the Audit and Accounting Guide *State and Local Governments*. This checklist does not address:

- The requirements for reporting on audits of financial statements in accordance with *Government Auditing Standards* (also referred to as the Yellow Book), issued by the Comptroller General of the United States, or on audits performed under the Single Audit Act Amendments of 1996 in accordance with OMB Circular A-133 (See the checklist for reporting on those audits at FSP section 13,300.)
- Restricted-use reports (See SAS 87, *Restricting the Use of an Auditor's Report* [AU 532].)
- Auditor's reports on special-purpose regulatory presentations (See AAG-SLV, par. 14.68.)
- Auditor's reports on summary financial information—*popular reports* (See AAG-SLV, pars. 14.69–14.76 and Appendix A (par. 14.79), Example A.16.)
- Auditor's reports on financial statements prepared in conformity with a comprehensive basis of accounting other than generally accepted accounting principles (GAAP), known as OCBOA financial statements (See AAG-SLV, chapter 15, and the AICPA Practice Aid *Applying OCBOA in State and Local Governmental Financial Statements* (product no. 006614).)

.02 Checklist Questionnaire:

Yes No N/A

Basic Financial Statements

Practice Tip

The auditor's report on governmental financial statements generally is based on *opinion units*. Normally, the opinion units in a government's basic financial statements are (as applicable) the governmental activities; the business-type activities; the aggregate discretely presented component units; each major governmental and enterprise fund; and the aggregate remaining fund information (nonmajor governmental and enterprise funds, the internal service fund type, and the fiduciary fund types). In certain circumstances, auditors may choose to combine the two aggregate opinion units—the one for the aggregate discretely presented component units and the one for the aggregate remaining fund information—into a single opinion unit. The resulting combined unit is referred to as the *aggregate discretely presented component unit and remaining fund information* opinion unit. The AICPA's fourth standard of reporting requires that the auditor's report contain either an expression of opinion regarding the financial statements, taken as a whole, or an assertion to the effect that an opinion cannot be expressed. In reporting on a government's basic financial statements, this fourth standard generally is applied by expressing opinions on the financial statements for each opinion unit required to be presented in those financial statements, or asserting that an opinion on one or more opinion units cannot be expressed. The auditor may express an unqualified opinion on the financial statements of one or more opinion units and modified opinions or disclaimers of opinion on one or more of the other opinion units. Further, the auditor's evaluation of the results of audit procedures that would lead to an opinion modification on one opinion unit may or may not result in an opinion modification on another opinion unit.

[AAG-SLV, pars. 14.04 and 14.06–14.08]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
1. If the titles of the financial statements are referred to in the introductory paragraph of the auditor’s report, do those titles match the titles of the financial statements presented? [Generally Accepted]	_____	_____	_____
2. Do the dates of the financial statements referred to in the introductory paragraph of the report match the dates of the financial statements presented? [Generally Accepted]	_____	_____	_____
3. Does the auditor’s report:			
a. Identify in the introductory paragraph each financial statement audited, which may involve reference to the table of contents or to the pages of the financial report on which the financial statements are displayed? [SAS 58, par. 6 (AU 508.06); AAG-SLV, par. 14.13]	_____	_____	_____
b. Identify in the introductory paragraph each opinion unit covered by the report? [AAG-SLV, par. 14.13]	_____	_____	_____
c. Refer in the introductory and opinion paragraphs to the government’s major funds individually or, alternatively, refer to them in a general manner if the financial statements clearly identify which governmental and enterprise funds are major? [AAG-SLV, par. 14.15]	_____	_____	_____
4. Does the report express or disclaim opinions on each opinion unit or, if the entity has a single opinion unit, on the financial statements taken as a whole? (See also Question 16.) [SAS 58, par. 4 (AU 508.04); AAG-SLV, pars. 14.04, 14.09, 14.16, fn. 4, and Appendix A (par. 14.79), Examples A.1–A.3]	_____	_____	_____
a. If prior-period financial statements include the minimum information required by GAAP for a complete set of financial statements and we audited those financial statements, have we updated the report on those prior-period financial statements? (See also Question 8d.) [SAS 58, par. 65, as amended (AU 508.65); AAG-SLV, par. 14.35]	_____	_____	_____
5. If the terms of the engagement cause us to set the scope of the audit and assess materiality at a more-detailed level than by the opinion units required for the basic financial statements (for example, at an individual fund or fund type level), does the report reflect both the “standard” opinion units for the basic financial statements and the additional opinion units resulting from the more-detailed audit scope? [AAG-SLV, pars. 14.11 and 14.45]	_____	_____	_____
a. If the financial statements that are subject to the more-detailed audit scope are reported separately in the government’s basic financial statements, does the report on that more-detailed audit scope refer to the presentation of the subject financial statements in the basic financial statements? [AAG-SLV, par. 14.46 and Appendix A (par. 14.79), Example A.12]	_____	_____	_____
b. If the financial statements that are subject to the more-detailed audit scope are not reported separately in the basic financial statements, does the report on that more-detailed audit scope refer to the presentation of the subject financial statements outside of the basic financial statements as SI, which is supplementary information other than required supplementary information (RSI)? [AAG-SLV, par. 14.47 and Appendix A (par. 14.79), Example A.13]	_____	_____	_____

Yes No N/A

Practice Tip

The Public Company Accounting Oversight Board (PCAOB) establishes standards for audits of "issuers," as that term is defined by the Sarbanes-Oxley Act of 2002 (the Act) or whose audit is prescribed by the rules of the SEC. Other entities, including state and local governments, are referred to as "nonissuers." Interpretation 17, "Clarification in the Audit Report of the Extent of Testing of Internal Control Over Financial Reporting in Accordance With Generally Accepted Auditing Standards," of SAS 58, *Reports on Audited Financial Statements*, as amended (AU 9508.85–.88), provides language that may be added to the auditor's standard report on the financial statements of a nonissuer to clarify differences between a GAAS audit and an audit conducted in accordance with the standards of the PCAOB. Interpretation 18, "Reference to PCAOB Standards in an Audit Report on a Nonissuer," of SAS 58, as amended (AU 9508.89–.92), explains how the auditor should report if engaged to also follow PCAOB auditing standards in the audit of a nonissuer.

- | | | | |
|---|-------|-------|-------|
| 6. Does the auditor's report include: | | | |
| a. The appropriate addressee?
[SAS 58, par. 9 (AU 508.09)] | _____ | _____ | _____ |
| b. A title that includes the word independent? ¹
[SAS 58, par. 8a (AU 508.08a)] | _____ | _____ | _____ |
| c. A statement that the financial statements identified in the report were audited?
[SAS 58, par. 8b (AU 508.08b)] | _____ | _____ | _____ |
| d. A statement that the financial statements are the responsibility of management and that the auditor's responsibility is to express opinion(s) on the financial statements based on his or her audit?
[SAS 58, par. 8c (AU 508.08c); AAG-SLV, pars. 14.13 and 14.14] | _____ | _____ | _____ |
| e. A statement that the audit was conducted in accordance with GAAS and an identification of the United States of America as the country of origin of those standards?
[SAS 58, par. 8d, as amended (AU 508.08d)] | _____ | _____ | _____ |
| f. A statement that those standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement?
[SAS 58, par. 8e (AU 508.08e)] | _____ | _____ | _____ |
| g. A statement that an audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation?
[SAS 58, par. 8f (AU 508.08f)] | _____ | _____ | _____ |
| h. A statement that the auditor believes that his or her audit provides a reasonable basis for his or her opinion(s)?
[SAS 58, par. 8g (AU 508.08g); AAG-SLV, par. 14.14] | _____ | _____ | _____ |
| i. An opinion as to whether the financial statements present fairly, in all material respects, the financial position as of the financial position statement date and the changes in financial position and, where applicable, cash flows ² for the period then ended of each opinion unit in the entity's financial statements in conformity with | _____ | _____ | _____ |

¹ If the auditor is not independent, see SAS 26, par. 10 (AU 504.10).

² If a government presents required budgetary comparison information as basic financial statements instead of as required supplementary information (RSI), the opinion paragraph(s) should refer to that budgetary comparison information. Explanatory paragraphs, if any, also may need to refer to that budgetary comparison information. [AAG-SLV, par. 14.14, Appendix A (par. 14.79), par. A.1, and Examples A.1 fn. 2, A.5 fn. 13, A.14 fn. 35, and A.15 fn. 37.]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
generally accepted accounting principles (GAAP), with an identification of the United States of America as the country of origin of those accounting principles? [SAS 58, par. 8h, as amended (AU 508.08h); AAG-SLV, par. 14.12]	_____	_____	_____
j. The manual or printed signature of the auditor’s firm? ³ [SAS 58, par. 8i (AU 508.08i)]	_____	_____	_____
k. The date (or dual dates) of the auditor’s report? [SAS 1, sec. 530, pars. 3–5, as amended (AU 530.03–.05); SAS 58, par. 8j and par. 28, as amended (AU 508.08j and .28)]	_____	_____	_____
7. If the opinion(s) is based in part on the report of another auditor and the principal auditor decides not to assume responsibility for the work of the other auditor:			
a. Do the introductory and scope paragraphs disclose this fact?	_____	_____	_____
(1) Does the reference in the introductory paragraph indicate the division of responsibility for the performance of the audit?	_____	_____	_____
b. Does the opinion paragraph(s) include a reference to the report of the other auditor? [SAS 1, sec. 543, pars. 3 and 7 (AU 543.03 and .07); SAS 58, pars. 11a, 12, and 13 (AU 508.11a, .12, and .13); AAG-SLV, par. 14.26 and Appendix A (par. 14.79), Example A.9]	_____	_____	_____
8. Certain circumstances, while not affecting the auditor’s unqualified opinion, may require that the auditor add explanatory language to the standard report. Is explanatory language added to the report if:			
a. To prevent the financial statements from being misleading because of unusual circumstances, the financial statements contain a departure from an accounting principle promulgated by a body designated by the AICPA Council to establish such principles? [SAS 58, pars. 11b, 14, and 15 (AU 508.11b, .14, and .15)]	_____	_____	_____
b. There is substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time? ⁴ [SAS 58, par. 11c (AU 508.11c); SAS 59, pars. 12 and 13, as amended (AU 341.12 and .13)]	_____	_____	_____
c. There is a material change between periods in accounting principles or in the method of their application, including a component unit’s change in accounting principles? ^{5, 6, 7} [SAS 58, pars. 11d and 16–18, as amended (AU 508.11d and .16–.18); AAG-SLV, pars. 14.32 and 14.44]	_____	_____	_____

³ When the auditor performs an audit with another auditor on a subcontract, joint audit, or joint venture basis, considerations should be given to how the report is signed. See AAG-SLV, pars. 14.29–14.31.

⁴ If the auditor concludes that the entity’s disclosures with respect to its ability to continue as a going concern for a reasonable period of time are inadequate, this represents a departure from generally accepted accounting principles that may result in either a qualified or an adverse opinion. Reporting guidance for such situations is provided in AU 508. [SAS 59, par. 14 (AU 341.14)]

⁵ The auditor should express a qualified or an adverse opinion on the financial statements of the affected opinion unit(s) (a) if a newly adopted accounting principle is not a generally accepted accounting principle (GAAP), (b) the method of accounting for the effect of the change is not in conformity with GAAP, or (c) management has not provided reasonable justification for the change in accounting principle [SAS 58, pars. 50–57, as amended and as affected by AAG-SLV, par. 14.04 (AU 508.50–.57)]

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

⁷ The adoption of GASB 34 constitutes a change in accounting principles that, unless immaterial, will require the auditor’s report to include an explanatory paragraph regarding consistency. [AAG-SLV, par. 14.77]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
d. In an updated report on comparative financial statements, the opinion on the prior period is different from the one previously expressed? [SAS 58, pars. 11e, 68, and 69, as amended (AU 508.11e, .68, and .69)]	_____	_____	_____
e. The financial statements of a prior period (presented for comparative purposes) have been audited by a predecessor auditor whose report is not presented? [SAS 58, pars. 11e and 74, as amended (AU 508.11e and .74)]	_____	_____	_____
f. A matter regarding the financial statements needs to be emphasized? [SAS 58, pars. 11 and 19, as amended (AU 508.11 and .19); Interpretation 3 of SAS 1, sec. 410 (AU 9410.18); Interpretation 1 of SAS 57 (AU 9342.03)]	_____	_____	_____
g. The auditor uses the work of a specialist in performing the audit and decides to add an explanatory paragraph? [SAS 73, par. 16 (AU 336.16)]	_____	_____	_____
9. If prior-period financial information presented with the current-period financial statements is a partial or summarized presentation:			
a. Does the continuing auditor's report not mention the prior-period information in the description of the financial statements audited or in the opinion paragraph(s)?	_____	_____	_____
b. Does the auditor's report include an explanatory paragraph following the opinion paragraph(s) if note disclosure about the nature of the information presented is omitted or incomplete?	_____	_____	_____
c. Does the continuing auditor's report make clear the degree of responsibility that he or she is assuming in relation to the prior-period information by stating in the introductory paragraph that the partial or summarized information has been derived from a complete set of financial statements; the date of the auditor's report on the complete financial statements; and the type of opinions expressed?	_____	_____	_____
d. If prior-period partial or summarized information has been derived from financial statements that were audited by another auditor, does the report state that fact and not express an opinion on that information? [AAG-SLV, pars. 14.37, 14.38, and fn. 12]	_____	_____	_____

Practice Tip

Scope limitations are restrictions on the scope of the audit, whether imposed by the client or by circumstances, such as the timing of the auditor's work, the inability to obtain sufficient competent evidential matter, or an inadequacy in the accounting records. Scope limitations include situations in which the auditor is unable to obtain sufficient evidential matter to support management's assertions about the nature of a matter involving an uncertainty and its presentation or disclosure in the financial statements. Scope limitations should be differentiated from situations in which the auditor concludes that the financial statements are materially misstated due to departures from GAAP.

[SAS 58, pars. 22, 31, and 32, as amended (AU 508.22, .31, and .32); AAG-SLV, par. 14.18]

10. Is a qualified opinion or disclaimer of opinion considered if scope limitations preclude application of one or more auditing procedures considered necessary in the circumstances? [SAS 31, par. 25, as amended (AU 326.25); SAS 58, pars. 22–34 and 61–63, as amended (AU 508.22–.34 and .61–.63)]	_____	_____	_____
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	<u>Yes</u>	<u>No</u>	<u>N/A</u>
11. If a qualified opinion is expressed because of a scope limitation:			
a. Are all of the substantive reasons for the qualification disclosed in one or more explanatory paragraphs preceding the opinion paragraph(s)?	_____	_____	_____
b. Is the situation described and referred to in both the scope and opinion paragraphs?	_____	_____	_____
c. Does the qualified opinion include the word <i>except</i> or <i>exception</i> in a phrase such as <i>except for</i> or <i>with the exception of</i> ?	_____	_____	_____
d. Does the wording in the opinion paragraph indicate that the qualification pertains to the possible effects on the financial statements of the affected opinion unit(s) and not to the scope limitation itself? (That is, the qualification should indicate that the auditor is unable to reach a conclusion on one or more matters material to the financial statements of the affected opinion unit(s), rather than that the auditor's procedures were restricted.) [SAS 58, pars. 21, 25, and 26, as amended (AU 508.21, .25, and .26); AAG-SLV, par. 14.19 and Appendix A (par. 14.79), Example A.4]	_____	_____	_____
12. If an opinion is disclaimed because of a scope limitation:			
a. Is the introductory paragraph modified to state that "we were engaged to audit" rather than "we have audited" the affected opinion unit(s) and to indicate, in the last sentence, the extent of the auditor's responsibility to express opinions on the financial statements? [SAS 58, fn. 21, as amended and as affected by AAG-SLV, par. 14.04 (AU 508, fn. 21)]	_____	_____	_____
b. Are all of the substantive reasons for the disclaimer stated in a separate paragraph(s)?	_____	_____	_____
c. Does the report state that the scope of the audit was not sufficient to warrant the expression of an opinion?	_____	_____	_____
d. Does the report avoid identifying procedures that were performed?	_____	_____	_____
e. Is the scope paragraph omitted if the disclaimer is on the financial statements taken as a whole? (See Question 16.)	_____	_____	_____
f. Does the report describe the auditor's reservations about fair presentation in conformity with GAAP? [SAS 58, pars. 62 and 63, as amended (AU 508.62 and .63); AAG-SLV, pars. 14.20, 14.21, and Appendix A (par. 14.79), Example A.4]	_____	_____	_____

Practice Tip

Consult the AU Topical Index to the AICPA *Professional Standards*, under "Departures From Established Principles," "Adverse Opinions," and "Qualified Opinions," for additional references to specific types of GAAP departures that could result in qualified or adverse opinions. See also chapter 14 of AAG-SLV, especially par. 14.22, for descriptions of GAAP departures in governmental financial statements.

13. Is a qualified or an adverse opinion considered in the following circumstances:			
a. The financial statements contain a material departure from GAAP, including inadequate disclosure, inappropriate accounting principles, or unreasonable accounting estimates? [SAS 58, pars. 35–60, as amended (AU 508.35–.60); AAG-SLV, par. 14.22]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(1) If the fund financial statements do not report one or more governmental or enterprise funds as major in conformity with the quantitative criteria of GASB 34, does the report express adverse opinions on the "missing" major fund opinion units because of the omitted display and modify the opinion on the aggregate remaining fund information opinion unit if the missing major fund is contained therein? [AAG-SLV, par. 14.40 and Appendix A (par. 14.79), Example A.10]	_____	_____	_____
b. Essential data concerning an impending change in GAAP and the future resulting restatement are not disclosed? [Interpretation 3 of SAS 1, sec. 410 (AU 9410.15)]	_____	_____	_____
c. The auditor concludes that an illegal act has a material effect on the financial statements, and the act has not been properly accounted for or disclosed? [SAS 54, par. 18 (AU 317.18)]	_____	_____	_____
14. If a qualified opinion is expressed because of a GAAP departure:			
a. Are all of the substantive reasons for the qualified opinion disclosed in one or more separate explanatory paragraphs preceding the opinion paragraph(s)?	_____	_____	_____
b. Does the explanatory paragraph disclose the principle effects of the departure on financial position, results of operations, and, where applicable, cash flows, ⁸ if practicable, or state that the effects are not reasonably determinable, if not practicable to do so?	_____	_____	_____
c. Does the qualified opinion include the word <i>except</i> or <i>exception</i> in a phrase such as <i>except for</i> or <i>with the exception of</i> and a reference to the explanatory paragraph? [SAS 58, pars. 21, 37-44, and 52, as amended (AU 508.21, .37-.44, and .52); AAG-SLV, par. 14.23 and Appendix A (par. 14.79), Examples A.5 and A.10]	_____	_____	_____
15. If an adverse opinion is expressed because of a GAAP departure:			
a. Are all of the substantive reasons for the adverse opinion disclosed in one or more separate explanatory paragraphs preceding the opinion paragraph(s)?	_____	_____	_____
b. Does the explanatory paragraph disclose the principle effects of the departure on financial position, results of operations, and, where applicable, cash flows, ⁹ if practicable, or state that the effects are not reasonably determinable, if not practicable to do so?	_____	_____	_____
c. State that the financial statements do not present fairly the financial position, changes in financial position, or, where applicable, cash flows ¹⁰ in conformity with GAAP? [SAS 58, pars. 58-60, as amended (AU 508.58-.60); AAG-SLV, pars. 14.24 and 14.25 and Appendix A (par. 14.79), Examples A.6 and A.7]	_____	_____	_____
16. Does the report render an adverse opinion or a disclaimer of opinion on the financial statements taken as a whole when:			

⁸ See footnote 2.

⁹ See footnote 2.

¹⁰ See footnote 2.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. The required government-wide or fund financial statements are not presented?	_____	_____	_____
b. Adverse opinions or disclaimers of opinion are appropriate for both the governmental activities and business-type activities opinion units (or for only the governmental activities opinion unit if that is the only required presentation for the primary government in the reporting entity’s government-wide financial statements)?	_____	_____	_____
c. In the auditor’s judgment the financial statements, taken as a whole, are not presented fairly in conformity with GAAP or it is appropriate to disclaim an opinion on the financial statements taken as a whole? [AAG-SLV, pars. 14.10, 14.21, 14.25, and Appendix A (par. 14.79), Example A.8]	_____	_____	_____

Practice Tip

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

Financial Statements That Include Only Part of the Reporting Entity

17. Does the auditor’s report on separate primary government financial statements:			
a. Indicate that the financial statements are those of the primary government and not of the financial reporting entity?	_____	_____	_____
b. Define the term <i>primary government</i> ?	_____	_____	_____
c. Indicate that the primary government’s financial statements do not purport to, and do not, fairly present financial position, changes in financial position, and, where applicable, cash flows ¹¹ of the financial reporting entity in conformity with GAAP?	_____	_____	_____
d. Give opinions or disclaimers of opinion on the opinion units in the primary government’s financial statements? [AAG-SLV, par. 14.41 and Appendix A (par. 14.79), Example A.11]	_____	_____	_____
18. If the financial statements omit the financial information of one or more (but not all) component units, is the effect of the GAAP departure on the auditor’s report considered in relation to the relevant opinion unit(s)? [AAG-SLV, par. 14.42]	_____	_____	_____
19. Does the auditors’ report disclose that the entity is a component unit of a financial reporting entity, if applicable? [AAG-SLV, par. 14.43 and Appendix A (par. 14.79), Example A.2]	_____	_____	_____

Other Financial Statement Presentations

20. Does the auditor’s report on GAAP-basis financial statements for one or more individual funds:			
a. Report on the audit based on each fund as a separate opinion unit?	_____	_____	_____
b. Indicate in the introductory and opinion paragraphs the specific fund(s)?	_____	_____	_____

¹¹ See footnote 2.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. Include an explanatory paragraph after the scope paragraph indicating that the financial statements do not purport to, and do not, present the government's financial position, changes in financial position, and, where applicable, cash flows? ¹²	_____	_____	_____
d. Consider the extent to which the financial statement presentation may be misleading to financial statement users who might misunderstand that the financial statements are meant to represent the overall government? (For example, if a government presents a complete set of fund financial statements, that results in a misleading presentation that should result in the auditor expressing an adverse opinion on the financial statements taken as a whole. See Question 16.) [AAG-SLV, pars. 14.63, 14.64, 14.66, and Appendix A (par. 14.79), Example A.14]	_____	_____	_____
21. Does the auditor's report on GAAP-basis financial statements for governmental departments, agencies, or programs: ¹³			
a. Report on the audit based on the involved opinion units?	_____	_____	_____
b. Include an explanatory paragraph after the scope paragraph indicating that the financial statements do not purport to, and do not, present the government's financial position, changes in financial position, and, where applicable, cash flows? ¹⁴ [AAG-SLV, par. 14.67 and Appendix A (par. 14.79), Example A.15]	_____	_____	_____

Required Supplementary Information and Supplementary Information Other Than Required Supplementary Information

Practice Tip

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

22. If the auditor is so engaged, does the report render an opinion on whether either or both RSI and SI are fairly presented, in all material respects, in conformity with GAAP? ¹⁵ [SAS 8, par. 3 (AU 550.03); SAS 52, par. 2, as amended (AU 558.02); AAG-SLV, par. 14.51]	_____	_____	_____
a. Is the reporting on the results of the audit based on the terms of the engagement? [AAG-SLV, par. 14.51]	_____	_____	_____
23. For unaudited RSI:			
a. Does the report include an explanatory paragraph if: (1) Applicable RSI is omitted? ¹⁶	_____	_____	_____

¹² See footnote 2.

¹³ When an organizational unit is coterminous with a single fund, it is appropriate for the government to issue a fund financial statement, rather than a departmental financial statement. [AAG-SLV, par. 14.67, fn. 23]

¹⁴ See footnote 2.

¹⁵ Unless the auditor is engaged to express an opinion whether RSI or SI is fairly presented in conformity with GAAP, this checklist refers to the information as *unaudited*, even though GAAS require the auditor to perform specific procedures and perhaps to report on the information.

¹⁶ This includes situations in which all of the required budgetary comparison information is omitted or if only part of the required budgetary comparison information is presented as RSI. If, however, the government chooses to present required budgetary comparison information as a basic financial statement and presents only part of the required information, the omission constitutes a departure from GAAP in the basic financial statements that the auditor should consider in evaluating his or her opinions on the opinion units for which budgetary presentations are required but not made. [AAG-SLV, par. 14.54, fn. 19]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(2) The measurement or presentation of such information departs materially from prescribed guidelines?	_____	_____	_____
(3) The auditor is unable to complete the prescribed procedures with respect to such information?	_____	_____	_____
(4) The auditor is unable to remove substantial doubts about whether such information conforms to prescribed guidelines? [SAS 52, par. 8, as amended (AU 558.08); SAS 29, par. 16, as amended (AU 551.16); AAG-SLV, par. 14.54]	_____	_____	_____
b. If the RSI is presented in an auditor-submitted document, or if the auditor chooses to or is engaged to report on the RSI in a client-prepared document, does the report:			
(1) State that the audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the entity’s basic financial statements?	_____	_____	_____
(2) Specifically identify the RSI?	_____	_____	_____
(3) State that the RSI is presented for purposes of additional analysis and is not a required part of the basic financial statements?	_____	_____	_____
(4) Include either or both an opinion on whether the RSI is fairly stated in all material respects in relation to the basic financial statements taken as a whole or a disclaimer of opinion?	_____	_____	_____
(5) Consider the effect of any modifications in the report on the basic financial statements? [SAS 8, par. 7, as amended (AU 550.07); SAS 29, pars. 6, 10, and 12–14, and par. 15, as amended (AU 551.06, .10, and .12–.15); SAS 52, par. 9, as amended (AU 558.09); AAG-SLV, pars. 14.58–14.60 and Appendix A (par. 14.79), Example A.1]	_____	_____	_____
c. If the RSI on which the report provides an “in relation to” opinion includes prior-year information and the basic financial statements for the prior year are not also presented in the financial report:			
(1) And a continuing auditor subjected the prior-year RSI to the auditing procedures applied in the audit of the basic financial statements in the prior year, does the report include:			
(i) A statement that the prior-year basic financial statements are not included in the current-year presentation?	_____	_____	_____
(ii) The date of the auditor’s report on the prior-year financial statements?	_____	_____	_____
(iii) The types of opinions expressed on those prior-year financial statements?	_____	_____	_____
(2) And a predecessor auditor audited the basic financial statements in the years for which the prior-year RSI is presented, and that auditor subjected the prior-year RSI to the auditing procedures applied in the audit of the basic financial statements in the prior year and expressed an “in relation to” opinion on that information, does the report include:			
(i) Statements that the prior-year basic financial statements are not included in the current-year presentation and that those financial statements were audited by another auditor?	_____	_____	_____
(ii) The date of the predecessor auditor’s report?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(iii) The types of opinions expressed on those prior-year financial statements and on the RSI? [AAG-SLV, par. 14.62]	_____	_____	_____
24. For unaudited SI:			
a. If the SI is materially inconsistent with information appearing in the financial statements, has it been determined whether the financial statements, the auditor's report, or both require revision? [SAS 8, par. 4 (AU 550.04); SAS 58, par. 11h (AU 508.11h); AAG-SLV, par. 14.57]	_____	_____	_____
b. If the SI is presented in an auditor-submitted document, or if the auditor chooses to or is engaged to report on the SI in a client-prepared document, does the report:			
(1) State that the audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the entity's basic financial statements?	_____	_____	_____
(2) Specifically identify the SI?	_____	_____	_____
(3) State that the SI is presented for purposes of additional analysis and is not a required part of the basic financial statements?	_____	_____	_____
(4) Include either or both an opinion on whether the SI is fairly stated in all material respects in relation to the basic financial statements taken as a whole or a disclaimer of opinion?	_____	_____	_____
(5) Consider the effect of any modifications in the report on the basic financial statements? [SAS 8, par. 7, as amended (AU 550.07); SAS 29, pars. 6, 10, and 12-14 (AU 551.06, .10, and .12-.14); AAG-SLV, pars. 14.58-14.60 and Appendix A (par. 14.79), Example A.1]	_____	_____	_____
c. If the SI on which the report provides an "in relation to" opinion includes prior-year information and the basic financial statements for the prior year are not also presented in the financial report:			
(1) And a continuing auditor subjected the prior-year SI to the auditing procedures applied in the audit of the basic financial statements in the prior year, does the report include:			
(i) A statement that the prior-year basic financial statements are not included in the current-year presentation?	_____	_____	_____
(ii) The date of the auditor's report on the prior-year financial statements?	_____	_____	_____
(iii) The types of opinions expressed on those prior-year financial statements?	_____	_____	_____
(2) And a predecessor auditor audited the basic financial statements in the years for which the prior-year SI is presented, and that auditor subjected the prior-year SI to the auditing procedures applied in the audit of the basic financial statements in the prior year and expressed an "in relation to" opinion on that information, does the report include:			
(i) Statements that the prior-year basic financial statements are not included in the current-year presentation and that those financial statements were audited by another auditor?	_____	_____	_____
(ii) The date of the predecessor auditor's report?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(iii) The types of opinions expressed on those prior-year financial statements and on the SI? [AAG-SLV, par. 14.62]	_____	_____	_____
25. If the auditor is relying on another auditor’s work on RSI or SI, is the report modified to refer to the work of the other auditor? [AAG-SLV, par. 14.61 and Appendix A (par. 14.79), Example A.9]	_____	_____	_____
Other Auditor Communications			
26. Does the auditor follow the reporting requirements of SAS 60, paragraphs 9–19, when communicating internal control-related matters noted in an audit? (The auditor must communicate reportable conditions in internal control, preferably in writing, to the audit committee or to individuals with a level of authority and responsibility equivalent to an audit committee in organizations that do not have one. The auditor also may identify matters that, in his or her judgment, are not reportable conditions and choose to communicate such matters for the benefit of management and other recipients, as appropriate.) [SAS 60, pars. 1–3 and 9–19, as amended (AU 325.01–.03 and .09–.19); AAG-SLV, par. 4.60]	_____	_____	_____
27. Does the auditor follow the reporting requirements of SAS 61, as amended, when communicating specific matters related to the conduct of an audit to the entity’s audit committee or other formally designated group equivalent to an audit committee, such as a finance committee or a budget committee. (If there is no such committee, the auditor could consider making the required communication to the entity’s governing board.) [SAS 61, pars. 1, 3 and 6–16, as amended (AU 380.01, .03, and .06–.16); AAG-SLV, par. 13.24]	_____	_____	_____
28. If the auditor has determined that there is evidence that fraud may exist, has the auditor complied with the reporting requirements of SAS 99, paragraphs 79–82? [SAS 99, pars. 79–82 (AU 316.79–.82)]	_____	_____	_____
29. Has the auditor adequately informed the audit committee, or others with equivalent authority and responsibility, with respect to illegal acts that come to the auditor’s attention? [SAS 54, par. 17 (AU 317.17)]	_____	_____	_____
30. If during a GAAS audit of the financial statements the auditor becomes aware that the entity is subject to an audit requirement that may not be encompassed in the terms of the engagement, has the auditor communicated to management and the audit committee, or to others with equivalent authority and responsibility, that an audit in accordance with GAAS may not satisfy the relevant legal, regulatory, or contractual requirements?	_____	_____	_____
a. Does the auditor consider how the client’s actions in response to such communication relate to other aspects of the audit, including the potential effect on the financial statements and on the auditor’s report on those financial statements? [SAS 74, pars. 22 and 23 (AU 801.22 and .23); AAG-GSA, pars. 1.10 and 1.11]	_____	_____	_____

FSP Section 13,300

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

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

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

.03 The OMB issues an annual Circular A-133 compliance supplement for conducting single audits. That supplement is available from the Government Printing Office by calling (202) 512-1800 and on the OMB's

* The standards and requirements of the 2003 revision of *Government Auditing Standards* are effective for financial audits for periods ending on or after January 1, 2004, with early application permissible. For a checklist on audits in accordance with the 1994 revision of *Government Auditing Standards*, as amended, auditors should refer to the August 2003 edition of this checklist.

¹ As discussed in paragraph 4.24 of the AICPA Audit Guide *Government Auditing Standards and Circular A-133 Audits*, paragraph 5.07 of *Government Auditing Standards* acknowledges that an auditee may need a financial statement audit for purposes other than to comply with a requirement calling for an audit in accordance with *Government Auditing Standards*. For example, the auditee may need a financial statement audit to issue bonds. In that case, *Government Auditing Standards* permits auditors to issue a separate report on the financial statements conforming only to the requirements of generally accepted auditing standards (GAAS). The AICPA Audit and Accounting Guide *State and Local Governments*, discusses auditor association with municipal securities filings and the use of *Government Auditing Standards* reports and references in the official statement. That Guide states that the official statement should not include the reports required by *Government Auditing Standards* and that Guide states that it generally is advisable for the official statements to use an auditor's report on the financial statements that does not refer to the *Government Auditing Standards* audit or to those reports.

[†] The June 27, 2003, revisions to Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (Circular A-133), raised the threshold for the applicability of the Single Audit Act Amendments of 1996 and Circular A-133 from \$300,000 to \$500,000 effective for audits of fiscal years ending after December 31, 2003. Early implementation is not permitted.

Web site at www.whitehouse.gov/omb/grants/grants_circulars.html. The AICPA issues an annual Audit Risk Alert, *Single Audits*, as a complement to the Audit Guide *Government Auditing Standards and Circular A-133 Audits*. The AICPA also has issued a related practice aid, *Auditing Recipients of Federal Awards: Practical Guidance for Applying OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations—Second Edition* (product no. 006607).

.04 As explained in chapter 14 of the AICPA Audit and Accounting Guide *State and Local Governments*, and the first Practice Tip in FSP section 13,200, the auditor generally expresses or disclaims an opinion on a government’s basic financial statements by providing an opinion or disclaimer of opinion on each opinion unit required to be presented in those financial statements. This checklist sometimes uses the singular terms *opinion* and *disclaimer of opinion* to encompass the multiple opinions and disclaimers of opinions that generally will be provided on a government’s financial statements.

.05 Checklist Questionnaire:

Yes No N/A

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

1. In a financial statement audit performed in accordance with *Government Auditing Standards*, has the auditor issued the following reports:
 - a. A report on the entity’s financial statements that provides an opinion or disclaimer of opinion on the financial statements? [GAS, par. 5.03; AAG-GSA, pars. 4.03 and 4.21]
 - b. A report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*? [GAS, pars. 5.08 and 5.12; AAG-GSA, pars. 4.03, 4.07, and 4.25]

_____	_____	_____
_____	_____	_____

Report on the Financial Statements

2. In addition to the elements listed in the checklist for the auditor’s report on the financial statements at FSP section 13,200, does the auditor’s report on the financial statements contain:²
 - a. A statement that the audit was conducted in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States?³ [GAS, par. 5.05; AAG-GSA, pars. 4.04a, 4.21d, and 4.23]
 - b. A reference to the separate report on internal control over financial reporting and on compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters prepared in accordance with *Government Auditing Standards*,⁴ which includes:
 - (1) A statement that the purpose of that report is to describe the scope of testing of internal control over financial reporting

_____	_____	_____
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² If an auditee prepares financial statements in conformity with comprehensive bases of accounting other than generally accepted accounting principles (GAAP), known as *other comprehensive bases of accounting*, or OCBOA, the auditor still is required to express or disclaim an opinion and should follow the reporting in SAS 62 (AU 623), as amended. [AAG-GSA, fn. 21 to par. 4.21h]

³ When personal, external, and organizational impairments to independence exist, a government auditor who cannot decline to perform the work because of a legislative requirement or for other reasons should report the impairment in the scope section of the auditor’s report. [GAS, par. 3.05; AAG-GSA, fn. 20 to par. 4.21d]

⁴ If the reporting on internal control over financial reporting and on compliance and other matters is included in the report on the financial statements, the reference to the separate report is not required. The Audit Guide *Government Auditing Standards and Circular A-133 Audits*, recommends separate reporting. [AAG-GSA, pars. 4.04b and 4.21i]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance? ⁵	_____	_____	_____
(2) A statement that the separate report is an integral part of an audit performed in accordance with <i>Government Auditing Standards</i> and should be considered in assessing the results of the audit? [GAS, par. 5.08; AAG-GSA, pars. 4.04b and 4.21i]	_____	_____	_____
3. If the auditor does not follow an applicable standard of <i>Government Auditing Standards</i> , does the scope section of the report disclose the standard that was not followed, the reasons therefore, and how not following the standard affected, or could have affected, the results of the audit? [GAS, par. 5.06; AAG-GSA, par. 4.23]	_____	_____	_____
4. If a component unit or fund that is material to an opinion unit is not required to have an audit in accordance with <i>Government Auditing Standards</i> , has the scope paragraph of the report on the financial statements been modified to indicate the portion of the entity that was not audited in accordance with <i>Government Auditing Standards</i> ? (If it is not evident from the financial statements to which opinion unit the component unit or fund relates, the auditor should consider identifying the opinion unit in addition to the name of the component unit or fund.) [AAG-GSA, pars. 4.37 and 4.38 and fn. 44 to par. 4.38]	_____	_____	_____
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit Performed in Accordance With <i>Government Auditing Standards</i>			
5. Does the auditor's report on internal control over financial reporting and on compliance and other matters conform to the standard report language illustrated in AAG-GSA? [AAG-GSA, Examples 4-3 and 4-4 in App. A (par. 4.44)]	_____	_____	_____
6. Does the auditor's report on internal control over financial reporting and on compliance and other matters contain:			
a. A statement that the auditor has audited the financial statements of the auditee's opinion units and a reference to the auditor's report on the financial statements, including a description of any departure from the standard report (for example, a qualified opinion, a modification as to consistency because of a change in accounting principle, or a reference to the report of other auditors)? [AAG-GSA, par. 4.26a and fns. 20 and 21 to Example 4-3 in App. A (par. 4.44)]	_____	_____	_____
b. A statement that the audit was conducted in accordance with GAAS (with an identification of the United States of America as the country of origin of those standards) and with the standards applicable to financial audits contained in <i>Government Auditing Standards</i> , issued by the Comptroller General of the United States? ⁶	_____	_____	_____
c. A statement that in planning and performing the audit, the auditor considered the auditee's internal control over financial reporting	_____	_____	_____

⁵ Paragraph 5.08 of *Government Auditing Standards* permits, but does not require, an opinion on internal control over financial reporting or on compliance if sufficient work was performed. This statement should be modified if the auditor is providing an opinion on internal control over financial reporting or on compliance. [AAG-GSA, fns. 6 and 7 to par. 4.04b, par. 4.21i]

⁶ See footnote 3. [GAS, par. 3.05; AAG-GSA, fn. 27 to par. 4.26b]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
in order to determine the auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide an opinion on the internal control over financial reporting? ⁷	_____	_____	_____
d. If applicable, a statement that reportable conditions were noted and the definition of a reportable condition?	_____	_____	_____
e. If no reportable conditions are noted, a statement that the auditor’s consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses; if reportable conditions are noted, a statement that the auditor’s consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses?	_____	_____	_____
f. If applicable, a description of the reportable conditions noted (including the views of responsible officials and their planned corrective action) or a reference to a separate schedule in which the reportable conditions, views of responsible officials, and their planned corrective action are described? ⁸	_____	_____	_____
g. The definition of a material weakness?	_____	_____	_____
h. If applicable, a statement about whether the auditor believes any of the reportable conditions noted are material weaknesses and, if they are, that identifies which reportable conditions are considered material weaknesses? ⁹ (If there are no reportable conditions noted, a statement is made that no material weaknesses were noted.)	_____	_____	_____
i. A statement that as part of obtaining reasonable assurance about whether the auditee’s financial statements are free of material misstatement, the auditor performed tests of the auditee’s compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts?	_____	_____	_____
j. A statement that providing an opinion on compliance with those provisions was not an objective of the audit and that, accordingly, the auditor does not express such an opinion? ¹⁰	_____	_____	_____
k. A statement that notes whether the results of tests disclosed instances of noncompliance or other matters (certain fraud and abuse) that are required to be reported under <i>Government Auditing Standards</i> and, if they are, describes the instances of noncompliance and other matters (including the views of responsible officials and their planned corrective action) or refers to the separate schedule	_____	_____	_____

⁷ Paragraph 5.08 of *Government Auditing Standards* permits, but does not require, an opinion on internal control over financial reporting or on compliance if sufficient work was performed. This statement should be modified if the auditor is providing an opinion on internal control over financial reporting. [AAG-GSA, fn. 28 to par. 4.26c]

⁸ For an audit in accordance with Circular A-133, all findings, including those required to be reported under *Government Auditing Standards*, should be included in the schedule of findings and questioned costs. Therefore, for such audits, this report should refer to the schedule of findings and questioned costs. See the questions about that schedule in Part II of this checklist. [AAG-GSA, fn. 29 to par. 4.26f and par. 12.17]

⁹ In reporting reportable conditions, the auditor should identify those that are individually or in the aggregate material weaknesses. [GAS, par. 5.14; AAG-GSA, par. 4.08]

¹⁰ Paragraph 5.08 of *Government Auditing Standards* permits, but does not require, an opinion on internal control over financial reporting or on compliance if sufficient work was performed. This statement should be modified if the auditor is providing an opinion on compliance. [AAG-GSA, fn. 30 to par. 4.26i]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
in which the noncompliance and other matters, views of responsible officials, and their planned corrective action are described? ¹¹ [AAG-GSA, par. 4.26]	_____	_____	_____
l. If applicable, a statement that additional matters were communicated to the auditee in a management letter? [AAG-GSA, pars. 4.26l and 4.35, fn. 26 to Example 4-3 in App. A (par. 4.44), and fn. 40 to Example 4-4 in App. A (par. 4.44)]	_____	_____	_____
m. A separate paragraph at the end of the report stating that the report is intended solely for the information and use of the audit committee, management and specified legislative or regulatory bodies ¹² and is not intended to be and should not be used by anyone other than these specified parties? ¹³	_____	_____	_____
n. The manual or printed signature of the auditor's firm?	_____	_____	_____
o. The date of the auditor's report? [AAG-GSA, par. 4.26]	_____	_____	_____
7. Does the report carry the same date as the report on the financial statements? [AAG-GSA, par. 4.26o]	_____	_____	_____
8. If a component unit or fund that is material to an opinion unit is not required to have an audit in accordance with <i>Government Auditing Standards</i> , has the scope paragraph of the report been modified to indicate the portion of the entity that was not audited in accordance with <i>Government Auditing Standards</i> ? (If it is not evident from the financial statements to which opinion unit the component unit or fund relates, the auditor should consider identifying the opinion unit in addition to the name of the component unit or fund.) [AAG-GSA, pars. 4.37 and 4.39 and fn. 45 to par. 4.39]	_____	_____	_____
9. If certain pertinent information is prohibited from general disclosure (as it may be by federal, state, or local laws or regulations), does the auditor's report state the nature of the information omitted and the requirement that makes the omission necessary? [GAS, par. 5.31; AAG-GSA, par. 4.04e]	_____	_____	_____
10. Does the language in the compliance and other matters section of the report refer to findings that do or may include fraud and abuse? (That language should appear in all reports, even if the report does not describe or refer to findings of fraud or abuse or even if the only findings of fraud or abuse are described in or referred to from the section on internal control over financial reporting.) [AAG-GSA, par. 4.29]	_____	_____	_____
11. Are findings that relate to both internal control over financial reporting and to compliance reported in or referred to from both the section of the report concerning internal control over financial reporting and in the section of the report concerning compliance and other matters?	_____	_____	_____

¹¹ See footnote 8. [AAG-GSA, fn. 32 to par. 4.26k]

¹² For an audit in accordance with Circular A-133, this reference should include federal award winning agencies and, if applicable, pass-through entities. [AAG-GSA, fn. 34 to par. 4.26m and par. 12.17]

¹³ This paragraph conforms to SAS 87, *Restricting the Use of an Auditor's Report* (AU 532). See SAS 87 for additional guidance on restricted-use reports. [AAG-GSA, fn. 35 to par. 4.26m]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(The reporting in one section of the report or schedule may be in summary form with a reference to a detailed reporting in the other section.) [AAG-GSA, par. 4.28]	_____	_____	_____
12. Are findings of fraud and abuse reported in or referred to from the compliance and other matters section of the report, unless the primary nature of the finding is a reportable condition in internal control? (Auditors should present or refer to findings of fraud and abuse that represent reportable conditions in internal control in the internal control section.) [AAG-GSA, par. 4.29]	_____	_____	_____
13. Do the reported findings include all identified deficiencies in internal control over financial reporting considered to be reportable conditions and all fraud and illegal acts (unless clearly inconsequential), ¹⁴ and material violations of provisions of contracts or grant agreements and material abuse that has occurred or is likely to have occurred? ^{15, 16} [GAS, par. 5.12; AAG-GSA, pars. 4.04c, 4.08, 4.15, 4.16, 4.27, and 12.33]	_____	_____	_____
a. Does the auditor limit the public reporting of fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse to matters that would not compromise investigative or legal proceedings? [GAS, par. 5.25; AAG-GSA, par. 4.20]	_____	_____	_____
14. Does each finding include a reference number? (For example, findings identified and reported in the audit of fiscal year 20X1 would be assigned reference numbers 20X1-1, 20X1-2, and so forth.) [AAG-GSA, par. 4.32]	_____	_____	_____
15. Do the reported findings place the findings in proper perspective (or context) by describing the work performed that resulted in the finding? (The identified instances should be related to the population or the number of cases examined and be quantified in terms of dollar value, if appropriate.) [GAS, pars. 5.14 and 5.18; AAG-GSA, par. 4.30]	_____	_____	_____
a. When reporting instances of fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse, are the results projected? (If the results cannot be projected, conclusions in the findings should be limited to the items tested.) [GAS, par. 5.18; AAG-GSA, par. 4.30]	_____	_____	_____
16. To the extent possible, do the reported findings present criteria, condition, cause, effect, and recommendation? [GAS, pars. 5.15 and 5.19; AAG-GSA, par. 4.31]	_____	_____	_____

¹⁴ In an audit conducted in accordance with Circular A-133, the auditor should apply a financial statement materiality consideration in reporting in the *Government Auditing Standards* report fraud and illegal acts involving federal awards that are subject to Circular A-133 reporting. [AAG-GSA, pars. 4.15, 12.16, and 12.33]

¹⁵ Although *Government Auditing Standards* uses the term *significant* in its reporting standard for violations of provisions of contracts or grant agreements and abuse, footnote 47 to paragraph 4.18 of *Government Auditing Standards* states that it considers the terms *material* and *significant* to be synonymous. For consistency, the Audit Guide *Government Auditing Standards and Circular A-133 Audits*, and this checklist use the term *material* when discussing that standard. [AAG-GSA, fn. 8 to par. 4.04c]

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

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
17. Does the auditor's report include the views of responsible officials concerning the findings, conclusions, and recommendations, as well as planned corrective actions? ^{17, 18} [GAS, par. 5.26; AAG-GSA, pars. 4.04d and 4.33]	_____	_____	_____
a. If the auditee's views oppose the report's findings, conclusions, or recommendations, and are not, in the auditor's opinion, valid—or if the planned corrective actions do not adequately address the auditor's recommendations—does the report state reasons for disagreeing with the comments or planned corrective actions? [GAS, par. 5.30; AAG-GSA, par. 4.33]	_____	_____	_____
Other Reporting and Communication Considerations			
18. Does the management letter communicate the following unless clearly inconsequential—deficiencies in internal control that are not reportable conditions, immaterial violations of provisions of contracts or grant agreements, and immaterial abuse? ¹⁹ [GAS, pars. 5.16 and 5.20; AAG-GSA, pars. 4.17 and 4.35]	_____	_____	_____
a. Are the management letter discussions worded so that readers can distinguish those matters that are required to be included by GAAS or <i>Government Auditing Standards</i> from matters that are recommendations for improvements or information about "best practices"? [AAG-GSA, par. 4.36]	_____	_____	_____
b. Does the management letter not include personal identification or other potentially sensitive matters? [AAG-GSA, par. 4.42]	_____	_____	_____
19. Has the auditor used professional judgment to determine whether and how to communicate to auditee officials deficiencies in internal control, fraud, illegal acts, violations of provisions of contracts or grant agreements, and abuse that are clearly inconsequential? ²⁰ [GAS, pars. 5.16 and 5.20; AAG-GSA, par. 4.35]	_____	_____	_____
20. Has the auditor reported fraud, illegal acts, violations of provisions of contracts or grant agreements, and abuse directly to parties outside	_____	_____	_____

¹⁷ In an audit in accordance with Circular A-133, the auditee is required to submit a corrective action plan. For those audits, depending on the status of the development of the corrective action plan at the time the auditor's reports are released, the auditor may be able to refer to the corrective action plan to satisfy as the required presentation of the auditee's views and planned corrective actions. See the questions about the reporting of auditee views and the corrective action plan in Part II of this checklist. [AAG-GSA, fn. 39 to par. 4.33]

¹⁸ The auditor is required to extend a reasonable effort to obtain and report auditee views and planned corrective actions. *Government Auditing Standards* does not require the auditor to delay or withhold the release of the report if the auditee does not provide the necessary information on a timely basis. If, however, the auditee does not provide the necessary information by the time the report is released, the report should indicate the status of the auditee's response. [AAG-GSA, par. 4.34]

¹⁹ Generally, *Government Auditing Standards* requires the auditor to evaluate findings for the purpose of communication in the management letter based on their consequence to the financial statements or other financial data significant to the audit objectives. In an audit in accordance with Circular A-133, however, the auditor should evaluate findings involving federal awards for the purpose of that communication based only on their consequence to the financial statements. Further, the auditor should not communicate such findings in the management letter if they are otherwise reported as audit findings in accordance with Circular A-133. [AAG-GSA, fn. 40 to par. 4.35 and par. 12.25]

²⁰ GAAS require that whenever the auditor has determined that there is evidence that fraud may exist, the auditor should bring that matter to the attention of an appropriate level of management, even if the matter might be considered inconsequential. [SAS 99, par. 79 (AU 316.79); AAG-GSA, par. 4.11 and fn. 42 to par. 4.35]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
of the auditee in the situations required by <i>Government Auditing Standards</i> , even if the auditor has resigned or been dismissed from the audit? [GAS, pars. 5.21–5.25; AAG-GSA, pars. 4.18–4.20]	_____	_____	_____
21. Has the auditor communicated the following information, preferably in a writing such as the engagement letter, to officials of the audited entity and to the individuals contracting for or requesting the audit during the planning stages of the audit:			
a. The auditor’s responsibilities for testing and reporting on internal control over financial reporting and on compliance with laws, regulations, and provisions of contracts or grant agreements?	_____	_____	_____
b. The nature of any additional testing of internal control and compliance required by laws, regulations, and provisions of contracts or grant agreements or otherwise requested, and whether the auditor is planning on providing an opinion on internal control over financial reporting or on compliance with laws, regulations, and provisions of contracts or grant agreements?	_____	_____	_____
c. A contrasting of the responsibilities in Questions a. and b. above with other audits of internal control and compliance?	_____	_____	_____
d. Potential restrictions on the auditor’s reports? [GAS, pars. 4.06–4.11; AAG-GSA, pars. 2.18 and 2.19]	_____	_____	_____
e. Additional relevant topics, such as the auditor’s fieldwork and reporting responsibilities for fraud and abuse? [AAG-GSA, par. 2.18]	_____	_____	_____
22. If an audit is terminated before it is complete, is the reason for terminating the audit communicated to auditee management, the entity requesting the audit, and other appropriate officials, preferably in writing? [GAS, par. 4.09; AAG-GSA, par. 2.20]	_____	_____	_____
23. If the auditor is:			
a. A government auditor, does the auditor submit the auditor’s reports to the appropriate officials of the audited entity, appropriate officials of the organizations requiring or arranging for the audits (unless legal restrictions prevent it), and other officials who have legal oversight authority or who may be responsible for acting on audit findings and recommendations and to others authorized to receive such reports?	_____	_____	_____
b. A nongovernment auditor, does the auditor clarify report distribution responsibilities with the party contracting for the audit and follow the agreements reached? [GAS, par. 5.34; AAG-GSA, par. 4.04f]	_____	_____	_____
24. Unless the report is restricted by law or regulation, or contains privileged and confidential information, does the auditor clarify that copies are made available for public inspection? (That clarification should be made in the engagement letter and may also be made in correspondence that transmits the reports to the auditee and other recipients.) [GAS, par. 5.34; AAG-GSA, par. 4.04f and fn. 10]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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Part II—Reports on Audits Performed in Accordance With Circular A-133

1. In an audit performed in accordance with Circular A-133, has the auditor issued the following reports in addition to those in Part I of this checklist:²¹
 - a. A report on the supplementary schedule of expenditures of federal awards?
 - b. A report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with Circular A-133?
 - c. A schedule of findings and questioned costs? [A-133, sec. 505; AAG-GSA, par. 12.07]

_____	_____	_____
_____	_____	_____
_____	_____	_____

Report on the Supplementary Schedule of Expenditures of Federal Awards

2. Is the report on the schedule (a) included in the auditor's report on the financial statements, (b) included in the report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with Circular A-133, or (c) issued as a stand-alone report? [AAG-GSA, pars. 12.12, 12.15, 12.24, and 12.28]
3. If the report on the financial statements refers to the work of other auditors, has the auditor considered the need to refer to the major federal programs audited by other auditors in the report on the schedule? [AAG-GSA, par. 12.29]
4. If the report on the schedule is included in the auditor's report on the financial statements or in the Circular A-133 report on compliance and on internal control over compliance, does it:
 - a. Conform to the standard report language illustrated in AAG-GSA? [AAG-GSA, par. 12.13 and fn. 4 to Example 12-1 in App. A (par. 12.54)]
 - b. Identify the schedule of expenditures of federal awards as accompanying supplementary information by descriptive title or by page number of the document?
 - c. Contain a statement that the audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements and that the schedule is presented for purposes of additional analysis and is not a required part of the financial statements? [AAG-GSA, par. 12.12 and fn. 4 to Example 12-1 in App. A (par. 12.54)]
 - d. Contain an opinion or a disclaimer of opinion as to whether the Schedule is fairly stated, in all material respects, in relation to the financial statements taken as a whole? [AAG-GSA, pars. 12.10 and 12.12 and fn. 4 to Example 12-1 in App. A (par. 12.54)]

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

²¹ Because of the requirements of *Government Auditing Standards*, the auditor also has other reporting and communication responsibilities in a Circular A-133 audit. See the questions in the section titled "Other Reporting and Communication Considerations" in Part I of this checklist.

- | | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|---|------------|-----------|------------|
| e. Carry the same date as the report on the financial statements, even if that requires a dual date on the Circular A-133 report on compliance and on internal control over compliance?
[AAG-GSA, pars. 12.26 and 12.28] | _____ | _____ | _____ |
| f. Consider the effect of any modifications to the report on the basic financial statements?
[AAG-GSA, fn. 8 to par. 12.13] | _____ | _____ | _____ |
| 5. If the report on the schedule is issued as a stand-alone report, is the guidance of SAS 58 (AU 508) followed in issuing that report? | _____ | _____ | _____ |
| a. Does the report carry the same date as the Circular A-133 report on compliance and on internal control over compliance?
[AAG-GSA, par. 12.28] | _____ | _____ | _____ |

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

- | | | | |
|--|-------|-------|-------|
| 6. Does the report conform to the standard report language illustrated in AAG-GSA?
[AAG-GSA, Examples 12-1–12-4 in App. A (par. 12.54)] | _____ | _____ | _____ |
| 7. Does the report contain the following elements: | | | |
| a. A statement that the auditor has audited the compliance of the auditee with the types of compliance requirements described in the <i>OMB Circular A-133 Compliance Supplement</i> that are applicable to each of its major programs? | _____ | _____ | _____ |
| b. A statement that the auditee’s major programs are identified in the summary of the auditor’s results section of the accompanying schedule of findings and questioned costs? | _____ | _____ | _____ |
| c. A statement that compliance with the requirements of laws, regulations, contracts, and grants applicable to each of the auditee’s major federal programs is the responsibility of the auditee’s management, and that the auditor’s responsibility is to express an opinion on the auditee’s compliance based on the audit? | _____ | _____ | _____ |
| d. A statement that the audit of compliance was conducted in accordance with GAAS (with an identification of the United States of America as the country of origin of those standards), the standards applicable to financial audits contained in <i>Government Auditing Standards</i> issued by the Comptroller General of the United States, and Circular A-133? | _____ | _____ | _____ |
| e. A statement that those standards and Circular A-133 require that the auditor plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements that could have a direct and material effect on a major federal program occurred? | _____ | _____ | _____ |
| f. A statement that an audit includes examining, on a test basis, evidence about the auditee’s compliance with those requirements and performing such other procedures as the auditor considered necessary in the circumstances? | _____ | _____ | _____ |
| g. A statement that the auditor believes that the audit provides a reasonable basis for the auditor’s opinion? | _____ | _____ | _____ |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>h.</i> A statement that the audit does not provide a legal determination of the auditee's compliance with those requirements?	_____	_____	_____
<i>i.</i> If instances of noncompliance are noted that result in an opinion modification, a reference to a description in the accompanying schedule of findings and questioned costs, including:			
(1) The reference number(s) of the finding(s)?	_____	_____	_____
(2) An identification of the type(s) of compliance requirements and related major program(s)?	_____	_____	_____
(3) A statement that compliance with such requirements is necessary, in the auditor's opinion, for the auditee to comply with the requirements applicable to the program(s)?	_____	_____	_____
<i>j.</i> An opinion on whether the auditee complied, in all material respects, with the types of compliance requirements that are applicable to each of its major federal programs?	_____	_____	_____
<i>k.</i> If applicable, a statement that the results of the auditing procedures disclosed instances of noncompliance that are required to be reported in accordance with Circular A-133 and a reference to the schedule of findings and questioned costs in which they are described?	_____	_____	_____
<i>l.</i> A statement that the auditee's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs?	_____	_____	_____
<i>m.</i> A statement that in planning and performing the audit, the auditor considered the auditee's internal control over compliance with requirements that could have a direct and material effect on a major federal program, to determine the auditing procedures for the purpose of expressing an opinion on compliance and to test and report on the internal control over compliance in accordance with Circular A-133?	_____	_____	_____
<i>n.</i> If applicable, a statement that reportable conditions were noted and the definition of a reportable condition?	_____	_____	_____
<i>o.</i> If applicable, a reference to a description of reportable conditions noted in the accompanying schedule of findings and questioned costs, including the reference number of the finding(s)?	_____	_____	_____
<i>p.</i> If no reportable conditions are noted, a statement that the auditor's consideration of the internal control over compliance would not necessarily disclose all matters in internal control that might be material weaknesses; if reportable conditions are noted, a statement that the auditor's consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses?	_____	_____	_____
<i>q.</i> The definition of a material weakness?	_____	_____	_____
<i>r.</i> If applicable, a statement about whether the auditor believes any of the reportable conditions noted are material weaknesses and, if they are, a reference to a description of the material weaknesses in the schedule of findings and questioned costs, including the reference number of the finding(s)? (If there are no reportable conditions,			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a statement should be made that no material weaknesses were noted.)	_____	_____	_____
s. A separate paragraph at the end of the report stating that the report is intended solely for the information and use of the audit committee, management, specified legislative or regulatory bodies, federal awarding agencies, and (if applicable) pass-through entities and is not intended to be and should not be used by anyone other than these specified parties? ²²	_____	_____	_____
t. The manual or printed signature of the auditor’s firm?	_____	_____	_____
u. The date of the auditor’s report? [AAG-GSA, par. 12.23]	_____	_____	_____
8. If the audit of the auditee’s compliance with requirements applicable to a major program detects material instances of noncompliance with those requirements, does the auditor’s report express a qualified or adverse opinion? [AAG-GSA, par. 12.19]	_____	_____	_____
9. Have scope limitations on the auditor’s testing of the auditee’s compliance with laws, regulations, and the provisions of contracts or grant agreements been considered in the opinion on compliance with requirements applicable to each major program? [AAG-GSA, pars. 12.20–12.22]	_____	_____	_____
10. Have the cumulative effects of all instances of noncompliance with federal programs and scope limitations been considered in the opinion on the financial statements? [AAG-GSA, pars. 12.19 and 12.20]	_____	_____	_____
11. If there are abuse findings reported in the federal awards section of the schedule of findings and questioned costs that do not otherwise meet the Circular A-133 requirements for reporting as findings, has the auditor considered the need to modify the report on compliance and on internal control over compliance? [AAG-GSA, par. 12.36]	_____	_____	_____
12. Is the report dated the same as or later than the date of the auditor’s report on the financial statements? a. If the report is dated later than the date of the auditor’s report on the financial statements, have appropriate subsequent events procedures been performed? [AAG-GSA, par. 12.27]	_____	_____	_____
13. If the audit of federal awards does not encompass the entirety of the auditee’s operations expending federal awards, are the operations that are not included identified in a separate paragraph following the first paragraph of the report? [AAG-GSA, par. 12.30]	_____	_____	_____
14. If the report on the financial statements refers to the work of other auditors, has the auditor considered the need to refer to the major federal programs audited by other auditors in the report on compliance and on internal control over compliance? [AAG-GSA, par. 12.29]	_____	_____	_____

²² See footnote 13. [AAG-GSA, fn. 18 to par. 12.23s]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
Schedule of Findings and Questioned Costs			
15. Does the report conform to the standard report language illustrated in AAG-GSA? [AAG-GSA, Example 12-5 in App. A (par. 12.54)]	_____	_____	_____
16. Is the report presented even if there are no findings to report? (In a situation in which there are no findings or questioned costs, the auditor should prepare the summary of auditor's results section of the schedule and indicate in the other required sections that no matters were reportable.) [AAG-GSA, par. 12.40]	_____	_____	_____
17. Does the report contain the following three sections:			
a. A summary of the auditor's results?	_____	_____	_____
b. Findings related to the financial statements that are required to be reported in accordance with <i>Government Auditing Standards</i> ? (See the questions about those findings in Part I of this checklist.)	_____	_____	_____
c. Findings and questioned costs for federal awards? [AAG-GSA, par. 12.31]	_____	_____	_____
18. Does the summary of auditor's results include:			
a. The type of report the auditor issued on the financial statements of the auditee (that is, unqualified opinions, qualified opinions, adverse opinions, or disclaimers of opinion)? (Because the auditor generally expresses or disclaims an opinion on a government's basic financial statements by providing an opinion or disclaimer of opinion on each opinion unit required to be presented in those financial statements, the schedule of findings and questioned costs may need to indicate multiple types of opinions on a government's basic financial statements.) [AAG-GSA, par. 12.32a and fn. 19 to par. 12.32a]	_____	_____	_____
b. Where applicable, a statement that reportable conditions in internal control were disclosed by the audit of the financial statements and whether any such conditions were material weaknesses?	_____	_____	_____
c. A statement on whether the audit disclosed any noncompliance that is material to the financial statements?	_____	_____	_____
d. Where applicable, a statement that reportable conditions in the internal control over major programs were disclosed by the audit and whether any such conditions were material weaknesses? [AAG-GSA, par. 12.32a]	_____	_____	_____
e. The type of report the auditor issued on compliance for major programs (that is, unqualified opinion, qualified opinion, adverse opinion, or disclaimer of opinion)? (If the audit report for one or more major programs is other than unqualified, indicate the type of report issued for each program.) [AAG-GSA, par. 12.32a and fn. 23 to Example 12-5 in App. A (par. 12.54)]	_____	_____	_____
f. A statement on whether the audit disclosed any audit findings that the auditor is required to report under Circular A-133? (See Question 20 below.)	_____	_____	_____
g. An identification of major programs?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
h. The dollar threshold used to distinguish between type A and type B programs?	_____	_____	_____
i. A statement on whether the auditee qualified as a low-risk auditee? [AAG-GSA, par. 12.32a]	_____	_____	_____
19. If there are abuse findings reported in the federal awards section of the schedule of findings and questioned costs that do not otherwise meet the Circular A-133 requirements for reporting as findings, has the auditor considered the need to modify the summary of the auditor's results? [AAG-GSA, par. 12.36]	_____	_____	_____
20. Are the following reported as audit findings related to federal awards:			
a. Reportable conditions and material weaknesses in internal control over major programs? (The auditor should identify reportable conditions that are individually or cumulatively material weaknesses.)	_____	_____	_____
b. Material noncompliance with the provisions of laws, regulations, contracts, or grant agreements related to a major program?	_____	_____	_____
c. Known questioned costs that are greater than \$10,000 for a type of compliance requirement for a major program?	_____	_____	_____
d. Known questioned costs when likely questioned costs are greater than \$10,000 for a type of compliance requirement for a major program?	_____	_____	_____
e. Known questioned costs that are greater than \$10,000 for programs that are not audited as major?	_____	_____	_____
f. The circumstances concerning why the auditor's report on compliance for major programs is other than an unqualified opinion, if not otherwise reported as an audit finding?	_____	_____	_____
g. Known fraud affecting a federal award, if not otherwise reported as an audit finding? (An audit finding is not required if the fraud was reported outside the entity as required by GAS.) [A-133, sec. 510(a); AAG-GSA, par. 12.35]	_____	_____	_____
h. Instances of material misrepresentation by the auditee of the status of any prior audit findings? [A-133, sec. 510(a); AAG-GSA, pars. 12.35 and 12.42]	_____	_____	_____
i. Abuse involving federal awards that is material to a major program? [AAG-GSA, par. 12.36]	_____	_____	_____
21. Does the audit finding detail include:			
a. A reference number? (For example, findings identified and reported in the audit of fiscal year 20X1 would be assigned reference numbers 20X1-1, 20X1-2, and so forth.) [A-133, sec. 510(c); AAG-GSA, par. 12.39]	_____	_____	_____
b. Identification of the federal program and specific federal award, including CFDA title and number, federal award number and year, name of the federal agency, and name of the applicable pass-through entity? ²³	_____	_____	_____

²³ When information such as the CFDA title and number or the federal award number is not available, the auditor should provide the best information available to describe the federal award. [A-133, sec. 510(b)(1); AAG-GSA, par. 12.37a]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. The criteria or specific requirement upon which the audit finding is based, including the statutory, regulatory, or other citation?	_____	_____	_____
d. The condition found, including facts that support the deficiency identified in the audit finding?	_____	_____	_____
e. Identification of questioned costs and how they were computed?	_____	_____	_____
f. Information to provide a proper perspective for judging the prevalence and consequences of the audit findings? ²⁴	_____	_____	_____
g. The possible asserted effect of the condition?	_____	_____	_____
h. Recommendations to prevent future occurrences of the deficiency? [A-133, sec. 510(b); AAG-GSA, par. 12.37]	_____	_____	_____
22. Do the audit findings related to federal awards also meet the presentation requirements of <i>Government Auditing Standards</i> ? (See the questions about those presentation requirements in Part I of this checklist.) [AAG-GSA, par. 12.38]	_____	_____	_____
23. Are audit findings that relate to federal awards:			
a. And that relate to the same issue presented as one finding?	_____	_____	_____
b. Organized by federal agency or pass-through entity, where practical? [A-133, sec. 505(d)(3)(i) and (ii); AAG-GSA, par. 12.32c]	_____	_____	_____
24. Are audit findings that relate to both the financial statements and the federal awards reported in both sections of the schedule (one in summary form with a reference to a detailed reporting in the other section)? [A-133, sec. 505(d)(3); AAG-GSA, par. 12.32c]	_____	_____	_____
25. Are findings of abuse involving federal awards presented in the compliance section of the schedule, unless the primary nature of the finding is a reportable condition in internal control? (Auditors should present findings of abuse that represent reportable conditions in internal control in the internal control section.) [AAG-GSA, par. 12.36]	_____	_____	_____
26. Do the findings report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as planned corrective actions, as required by <i>Government Auditing Standards</i> , or refer to the corrective action plan, depending on the status of the development of the corrective action plan at the time the auditor's reports are released? ²⁵ [AAG-GSA, pars. 12.34 and 12.38]	_____	_____	_____
a. If the auditee's comments oppose the report's findings, conclusions, or recommendations, and are not, in the auditors' opinion, valid—or if the planned corrective actions do not adequately address the auditors' recommendations—does the federal awards section of the schedule of findings and questioned costs state the			

²⁴ Where appropriate, the instances identified should be related to the universe and the number of cases examined and be quantified in terms of the dollar value. [A-133, sec. 510(b)(5); AAG-GSA, par. 12.37e]

²⁵ See footnote 18.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
auditor's reasons for disagreeing with the comments or planned corrective actions? [A-133, sec. 510(b)(8); AAG-GSA, fn. 25 to par. 12.38]	_____	_____	_____
27. Do the audit report and any attached or referenced schedules not include names, Social Security numbers, other personal identification, or other potentially sensitive matters? [AAG-GSA, par. 12.53]	_____	_____	_____
Data Collection Form²⁶			
28. Has the auditor completed the appropriate parts of the data collection form?	_____	_____	_____
29. Has the auditor signed the form and dated it as of the date on which the auditor completes and signs the form? [AAG-GSA, par. 12.45]	_____	_____	_____
30. Does the information on the data collection form agree to the information in the auditor's reports and the summary of auditor's results in the schedule of findings and questioned costs? [Federal Audit Clearinghouse, Data Collection Form No. SF-SAC]	_____	_____	_____

Program-Specific Audits

Practice Tip

When an auditee expends federal awards under only one federal program (excluding research and development) and the federal program's laws, regulations, or grant agreements do not require a financial statement audit of the auditee, the auditee may elect to have a program-specific audit. A program-specific audit may not be elected for research and development unless all federal awards expended were received from the same federal agency (or the same federal agency and the same pass-through entity) and that federal agency (or pass-through entity, in the case of a subrecipient) approves a program-specific audit in advance. [A-133, sec. 200; AAG-GSA, par. 13.02]

31. If a program-specific audit guide is available and current with regard to the program's compliance requirements, has the auditor issued the reports required by the guide? [A-133, sec. 235(a); AAG-GSA, par. 13.04]	_____	_____	_____
32. If a program-specific audit guide is not available or not current with regard to the program's compliance requirements, has the auditor issued the following reports: ^{27,28}			
a. A report on the federal program's financial statements that provides an opinion or disclaimer of opinion on the financial statements?	_____	_____	_____
b. A report on compliance with requirements applicable to the federal program and on the internal control over compliance in accordance with the program-specific audit option under Circular A-133?	_____	_____	_____

²⁶ The data collection form and related instructions are available from the Federal Audit Clearinghouse's (FAC's) home page at <http://harvester.census.gov/sac> or by calling the FAC at (888) 222-9907. The form number is SF-SAC. The FAC prefers to receive the data collection via an online Internet Data Entry System (IDES). The Office of Management and Budget periodically revises the data collection form and its accompanying instructions. Auditors should exercise caution to make sure they use the version of the form and instructions that applies to the fiscal year audited. [AAG-GSA, par. 12.46 and fn. 27 to par. 12.46]

²⁷ If the financial statement(s) of the program present only the activity of the federal program, the auditor is not required to issue a separate report to meet the reporting requirements of GAS. However, if the financial statement(s) of the federal program present more than the program's activity the auditor should issue a separate GAS report and modify it so that it refers only to the financial statement(s) of the federal program. [AAG-GSA, par. 13.10]

²⁸ See footnote 21.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. A schedule of findings and questioned costs for the program? [A-133, sec. 235(b)(4); AAG-GSA, pars. 13.08 and 13.09]	_____	_____	_____
33. Do the reports conform to the standard report language illustrated in AAG-GSA? [AAG-GSA, Example 12-5 in App. A (par. 12.54) and Examples 13-1 and 13-2 in App. A (par. 13.16)]	_____	_____	_____

FSP Section 13,400

References to Illustrative Financial Statements

.01 This publication does not incorporate illustrative basic financial statements, notes to the financial statements, or required supplementary information (RSI) for governmental financial reports prepared in conformity with the financial reporting model and note disclosures prescribed by GASB 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, or other effective GASB pronouncements, such as GASB 38, *Certain Financial Statement Note Disclosures*. Such illustrative material can be found in nonauthoritative appendixes to various GASB pronouncements, including GASB 34 and 38, and the GASB staff's *Comprehensive Implementation Guide*.

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