

1-1-2007

# Checklists and illustrative financial statements for state and local governmental units : a financial reporting practice aid, June 2007 edition

American Institute of Certified Public Accountants. Accounting and Auditing Publications

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## Recommended Citation

American Institute of Certified Public Accountants. Accounting and Auditing Publications; Crawford, Michael A.; and Cole, Christopher, "Checklists and illustrative financial statements for state and local governmental units : a financial reporting practice aid, June 2007 edition" (2007). *Industry Guides (AAGs), Risk Alerts, and Checklists*. 942.  
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# CHECKLISTS AND ILLUSTRATIVE FINANCIAL STATEMENTS FOR STATE AND LOCAL GOVERNMENTS

A Financial Accounting and  
Reporting Practice Aid

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AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS



CHECKLISTS AND ILLUSTRATIVE FINANCIAL STATEMENTS FOR STATE AND LOCAL GOVERNMENTS

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# CHECKLISTS AND ILLUSTRATIVE FINANCIAL STATEMENTS FOR STATE AND LOCAL GOVERNMENTS

## A Financial Accounting and Reporting Practice Aid

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

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New York, NY 10036-8775

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1 2 3 4 5 6 7 8 9 0 AAP 0 9 8 7

ISBN 978-0-87051-705-1

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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 13,000–13,400 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 for Audits Performed in Accordance with Generally Accepted Auditing Standards (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*.
- **Illustrative Financial Statements (FSP section 13,400)**—These illustrative financial statements demonstrate financial statement formats and disclosures appropriate for state and local governments.

.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.

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

- Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS or statement) No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115*.
- Revised FASB statements issued through June 30, 2007, including FASB Statement No. 123 (revised 2004), *Share-Based Payment*.
- FASB Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109*.

- 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*.
- Governmental Accounting Standards Board (GASB) Statement No. 50, *Pension Disclosures*.
- GASB Interpretation (GASBI) No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.
- GASB Technical Bulletin (GTB) No. 2006-1, *Accounting and Financial Reporting by Employers and OPEB Plans for Payments from the Federal Government Pursuant to The Retiree Drug Subsidy Provisions of Medicare Part D*.
- GASB staff's 2006–2007 *Comprehensive Implementation Guide*.
- 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 Practice Bulletin (PB) No. 15, *Accounting by the Issuer of Surplus Notes* (AICPA, *Technical Practice Aids*, PB sec. 12,150).
- AICPA Statement on Auditing Standards (SAS) No. 114, *The Auditor's Communication With Those Charged With Governance* (AICPA, *Professional Standards*, vol. 1, AU sec. 380).
- AICPA Statement of Position (SOP) 07-1, *Clarification of the Scope of the Audit and Accounting Guide Investment Companies and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies* (AICPA, *Technical Practice Aids*, ACC sec. 10,930).
- Auditing Interpretation No. 1, "Use of Electronic Confirmations" (AICPA, *Professional Standards*, vol. 1, AU sec. 9330.01–.06), which interprets AU section 330, *The Confirmation Process* (AICPA, *Professional Standards*, vol. 1).
- AICPA Statement on Standards for Accounting and Review Services (SSARS) No. 14, *Compilation of Pro Forma Financial Information* (AICPA, *Professional Standards*, vol. 2, AR sec. 120).
- AICPA Audit and Accounting Guide *State and Local Governments* (with conforming changes as of May 1, 2007).
- AICPA Audit Guide *Government Auditing Standards and Circular A-133 Audits* (with conforming changes as of May 1, 2007).
- The checklists and illustrative financial statements should be modified, as appropriate, for pronouncements issued subsequent to the above. In determining the applicability of a pronouncement, its effective date should also be considered.

.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 AU section 150, *Generally Accepted Auditing Standards* (AICPA, *Professional Standards*, vol. 1). *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.<sup>1, \*</sup> 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]),<sup>2</sup> 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 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 AU section 411, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles* (AICPA, *Professional Standards*, vol. 1), 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 Statement No. 29, *The Use of Not-for-Profit Accounting and Financial Reporting Principles by Governmental Entities*, and No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

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

**.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

<sup>1</sup> AU section 411, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles* (AICPA, *Professional Standards*, vol. 1, AU sec. 411.12–13), contains the hierarchy of generally accepted accounting principles (GAAP) for state and local governments. This publication is *Other Accounting Literature* under that hierarchy.

\* These checklists reflect the disclosure requirements related to the governmental financial reporting model promulgated by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. The provisions of GASB Statement No. 34 became effective in three phases. The last implementation phase was for financial statements for periods beginning after June 15, 2003. GASB Statement No. 34, paragraphs 142–166, present the statement's effective date and transition provisions, including delayed effective date provisions for the retroactive reporting of certain general infrastructure assets.

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

GASB Cod. Sec. =	<i>Codification of Governmental Accounting and Financial Reporting Standards</i> by the Governmental Accounting Standards Board (as of June 30, 2004)
GTB =	Technical Bulletin issued by the staff of the GASB
Q&A =	GASB staff's 2006–07 <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
FIN =	Financial Accounting Standards Board Interpretation
APB =	Accounting Principles Board Opinion
ARB =	Accounting Research Bulletin
AAG-SLA =	AICPA Audit Guide <i>Government Auditing Standards and Circular A-133 Audits</i> (with conforming changes as of May 1, 2007)
AAG-SLV =	AICPA Audit and Accounting Guide <i>State and Local Governments</i> (with conforming changes as of May 1, 2007)
ACC =	Reference to a section number in AICPA <i>Technical Practice Aids, Statements of Position—Accounting</i>
AU =	Reference to section number in AICPA <i>Professional Standards</i> (vol. 1)
A-133 =	Office of Management and Budget (OMB) Circular A-133, <i>Audits of States, Local Governments, and Non-Profit Organizations</i> (June 2003 revision)
GAS =	General Accounting Office 2003 revision to <i>Government Auditing Standards</i> , as amended through Amendment 3, <i>Independence</i>

.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 unit<sup>3</sup> 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

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<sup>3</sup> See the discussion of opinion units in Chapters 4 and 14 of the Audit and Accounting Guide *State and Local Governments*.

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.

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



# 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."

	<u>Place ✓ by Sections Applicable</u>
• 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	_____
D. Other	_____
• Note Disclosures	
A. Focus of Note Disclosures	_____
B. Summary of Significant Accounting Policies	_____

*Place ✓ by  
Sections Applicable*

- C. Cash, Investments, and Investment-Related Activity \_\_\_\_\_
- D. Nonexchange Transactions \_\_\_\_\_
- 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. Employee Benefit Plans (Including Pension Plans and Postemployment Healthcare Plans)—Stand-Alone Plan Reporting \_\_\_\_\_
  - I. Employee Benefit Plans (Including Pension Plans and Postemployment Healthcare Plans)—Sponsor and Employer Reporting \_\_\_\_\_
  - J. Pensions—Employer Reporting \_\_\_\_\_
  - K. Postemployment Benefits Other Than Pensions—Employer Reporting \_\_\_\_\_
  - L. Pollution Remediation Obligations \_\_\_\_\_
  - M. Public Entity Risk Pools \_\_\_\_\_
  - N. Risk Financing and Related Financing Issues—Entities Other Than Risk Pools \_\_\_\_\_
  - O. Sales and Pledges of Receivables and Future Revenues \_\_\_\_\_
  - P. Special Assessments \_\_\_\_\_
  - Q. Termination Benefits \_\_\_\_\_
  
- 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) and Postemployment Healthcare Plans \_\_\_\_\_
  - 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: Checklist Questions for Application of GASB 43, GASB 45, GASB 47, GASB 48, GASB 49, and GASB 50

.02 Checklist questionnaire:

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<b>I. General Reporting</b>			
<b>A. Overview</b>			
1. Does the entity’s financial report consist of, at a minimum, a management’s discussion and analysis (MD&A), basic financial statements (including the notes thereto), and applicable required supplementary information (RSI) other than MD&A?	_____	_____	_____
2. Except for certain entities as discussed in Questions 3–5 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. 136–137 (GASB Cod. Sec. Sp20.105–.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 Statement of Position (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)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<b>B. Comparative Financial Information</b>			
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]	_____	_____	_____
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]	_____	_____	_____
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]	_____	_____	_____
<b>C. Accounting Changes</b>			
1. Is the implementation of any new Governmental Accounting Standards Board (GASB) standard reported as provided in the transition section of the standard? [Generally Accepted]	_____	_____	_____
2. Are changes in accounting principles, addressed in Accounting Principles Board (APB) 20, <i>Accounting Changes</i> , as amended, reported as restatements of beginning net assets or fund equity, or both, not as a separately identified cumulative effect in the current-period statement of activities or proprietary fund statement of revenues, expenses, and changes in fund net assets? [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]	_____	_____	_____
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]	_____	_____	_____

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\* Although Statement of Financial Accounting Standards (SFAS) 154, *Accounting Changes and Error Corrections—a replacement of APB Opinion No. 20 and FASB Statement No. 3*, superseded Accounting Principles Board (APB) 20, *Accounting Changes* (effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005), it did not supersede APB 20 for a governmental entity's funds and activities (a) that are required to apply private-sector pronouncements issued on or before November 30, 1989, and (b) that do not choose to apply all Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, except for those that conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements. If a government applies post-November 30, 1989 FASB pronouncements, the GASB Web site ([www.gasb.org](http://www.gasb.org)) includes a nonauthoritative chart that provides guidance on the applicability of those pronouncements. See also Appendix A of FSP section 13,100.



- |  | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|--|------------|-----------|------------|
| 5. Are the effects of changes in accounting estimates disclosed?<br>[APB 20, pars. 31–33]  | _____      | _____     | _____      |
| <i>a.</i> Is a change to depreciation from the modified approach for eligible infrastructure assets (and visa versa) reported as a change in accounting estimate?<br>[GASB 34, fn. 21 (GASB Cod. Sec. 1400, fn. 8); GASB 37, par. 8] | _____      | _____     | _____      |
| 6. For accounting changes that are corrections of errors in previously issued financial statements, is the nature and effect on current-period amounts disclosed?<br>[APB 20, par. 37]   | _____      | _____     | _____      |

**D. Prior-Period Adjustments**

- |  |       |       |       |
|--|-------|-------|-------|
| 1. For prior-period adjustments:   |       |       |       |
| <i>a.</i> For single-period statements, does the disclosure indicate the effects of such restatement on net assets or fund, or both, equity at the beginning of the period and on the results of operations of the immediately preceding period?   | _____ | _____ | _____ |
| <i>b.</i> If financial statements for more than one period are presented, does disclosure include the effects for each of the periods presented in the statements?<br>[APB 9, par. 26]   | _____ | _____ | _____ |
| 2. If the prior-period adjustments pertain to historical summaries of financial data, are the adjustments reflected therein with appropriate disclosure?<br>[APB 9, par. 27]   | _____ | _____ | _____ |
| 3. If the current-period financial statements will have to be restated in the future because a GASB or Financial Accounting Standards Board (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?<br>[Interpretation 3 of AU sec. 410 (AU 9410.13–.16)] | _____ | _____ | _____ |
| 4. For an adjustment of an extraordinary item reported in a prior period:  |       |       |       |
| <i>a.</i> Is the adjustment classified separately as an extraordinary item in the current period?  | _____ | _____ | _____ |
| <i>b.</i> Are the nature, year of origin, and amount of the item disclosed?<br>[SFAS 16, par. 16(c)]   | _____ | _____ | _____ |

**II. Government-Wide Financial Statements**

**A. Overview**

- |   |       |       |       |
|---|-------|-------|-------|
| 1. Do the GWFS:   |       |       |       |
| <i>a.</i> Consist of a statement of net assets and a statement of activities?<br>[GASB 34, par. 12]                                       | _____ | _____ | _____ |
| <i>b.</i> Display information about the reporting government as a whole, including the primary government and its component units, except |       |       |       |

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\* See footnote \* on page 13,104.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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. 10–11 (GASB Cod. Sec. 2600.601)]	_____	_____	_____
d. Use separate rows and columns to distinguish between the total primary government and its discretely presented component units and between the governmental and business-type activities of the primary government? [GASB 34, par. 12 (GASB Cod. Sec. 2200.110); GASB 34, pars. 14–15 (GASB Cod. Secs. 2100.110, 2200.112–.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 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, <i>Determining Whether Certain Organizations Are Component Units—an amendment of GASB Statement No. 14</i> , par. 5 (GASB Cod. Section 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 Accounting Research Bulletins (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>B. Statement of Net Assets</b>			
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)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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, <i>Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments</i> , paragraph 99? [GASB 34, pars. 31, 97, 99, and fn. 23 (GASB Cod. Sec. 2200.116, .163, .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?	_____	_____	_____
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)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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)]	_____	_____	_____
<b>C. Statement of Activities</b>			
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)]	_____	_____	_____
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)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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. 22–23 (GASB Cod. Sec. T50.601)]	_____	_____	_____
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. 22–23 (GASB Cod. Sec. T50.601)]	_____	_____	_____

**III. Fund Financial Statements**

**A. Overview**

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

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

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

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



	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(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. Secs. 1800.131 and 2200.159)]	_____	_____	_____

**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, 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			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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 of FSP section 13,100.) [GASB 29, par. 7, as amended by GASB 34, par. 94 (GASB Cod. Sec. P80.103)]	_____	_____	_____
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)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
8. Does the statement of net assets:			
<i>a.</i> 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, paragraph 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)]	_____	_____	_____
<i>b.</i> 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)]	_____	_____	_____
<i>c.</i> Not display capital contributions as a separate component of net assets?	_____	_____	_____
<i>d.</i> 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:			
<i>a.</i> Distinguish between operating and nonoperating revenues and expenses? [GASB 34, par. 100 (GASB Cod. Secs. 1800.122, 2200.166, and P80.115)]	_____	_____	_____
<i>b.</i> 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. 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?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(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. 17–18, as amended by GASB 34, par. 112 (GASB Cod. Sec. 2450.114–.115)]	_____	_____	_____
g. 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?	_____	_____	_____
(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)]	_____	_____	_____
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,			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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?	_____	_____	_____
(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. 32–33, 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. 19–20 (GASB Cod. Sec. 2450.116–.117); GASB 9, pars. 21–22, as amended by GASB 34, par. 112 (GASB Cod. Sec. 2450.118–.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?	_____	_____	_____

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

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<b>D. Fiduciary Funds<sup>†</sup></b>			
1. Are pension (and other employee benefit) trust funds used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, 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? <sup>‡</sup> [GASB 34, par. 107 (GASB Cod. Sec. 1300.102c)]	_____	_____	_____

<sup>†</sup> GASB 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which supersedes GASB 26, *Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit 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). 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 of FSP section 13,100.

<sup>‡</sup> GASB 43, paragraphs 11 and 24, remove this exception for the recognition of certain liabilities without effectively changing the recognition requirements for those liabilities.



	<u>Yes</u>	<u>No</u>	<u>N/A</u>
6. Do the fiduciary fund financial statements:			
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, <i>Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans</i> .) [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)]	_____	_____	_____
(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? <sup>1</sup> [GASB 34, pars. 108–109 (GASB Cod. Sec. 2200.173–.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. 5.29]	_____	_____	_____
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 Balances<sup>2</sup>**

1. Are amounts due from and due to other funds, including long-term amounts, reported in the fund financial statements? (Current amounts

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<sup>1</sup> See also the subsection on employee benefit plans (including pension plans and postemployment healthcare plans)—sponsor and employer reporting in the section of this checklist titled “Specialized Topics.”

<sup>2</sup> This section applies not only to activity between the funds of a legal entity but also to activity between a primary government and its blended component units. Resource flows between a primary government and its discretely presented component units (except those that affect the financial position statement only, such as loans and repayments) are reported as revenues and expenses or expenditures, or both. [GASB 34, par. 61 (GASB Cod. Secs. 1800.106 and 2200.146)]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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 expected to be repaid reported as a transfer from the fund that made the loan to the fund that received the loan? [GASB 34, par. 112a(1) (GASB Cod. Sec. 1800.102a(1))]	_____	_____	_____
3. Are interfund services provided and used reported as revenues in seller funds and expenditures or expenses in purchaser funds (except when the general fund is used to account for risk-financing activities), with unpaid amounts reported as interfund receivables and payables in the fund financial position statements? [GASB 34, par. 112a(2) and fn. 45 (GASB Cod. Sec. 1800.102a(2) and fn. 1)]	_____	_____	_____
4. Are transfers reported as:			
a. Other financing uses in the governmental funds making transfers?	_____	_____	_____
b. Other financing sources in the governmental funds receiving transfers?	_____	_____	_____
c. After nonoperating revenues and expenses in proprietary funds? [GASB 34, par. 112b(1) (GASB Cod. Sec. 1800.102b(1))]	_____	_____	_____
5. Are reimbursements not displayed in the financial statements? [GASB 34, par. 112b(2) (GASB Cod. Sec. 1800.102b(2))]	_____	_____	_____
6. If the entity moves capital assets from one fund or activity to another:			
a. Is the movement accounted for at the asset's book value, with no gain or loss reported?	_____	_____	_____
b. Are movements of general capital assets to a proprietary or fiduciary fund not reported in governmental funds?	_____	_____	_____
c. Are movements of general capital assets to a proprietary fund (or visa versa) reported in the government-wide financial statements as internal activity between the governmental and business-type activities? [AAG-SLV, par. 7.51]	_____	_____	_____
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)]	_____	_____	_____
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]	_____	_____	_____

Yes    No    N/A

**IV. Assets, Liabilities, and Equity<sup>3</sup>**

**A. Cash, Investments, and Investment-Related Activity<sup>4</sup>**

- 1. Does the entity not apply the provisions of GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, to investments in equity securities that are accounted for under the equity method, to investments in joint ventures or component units, or to securities or other instruments not held by the entity for investment purposes, either for itself or for parties for which it serves as investment manager or other fiduciary?  
[GASB 31, par. 5 (GASB Cod. Sec. I50.104)] \_\_\_\_\_
  
- 2. Does the entity apply the equity method for reporting investments in common stock, if applicable in the circumstances?  
[GASB 31, par. 5 (GASB Cod. Sec. I50.104); APB 18] \_\_\_\_\_
  
- 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. 5.27] \_\_\_\_\_
  
- 4. Is the equity position of each fund or component unit in an internal investment pool (or in an external investment pool that is sponsored by the entity) reported as assets in those funds and component units?  
[GASB 31, 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. 5.27] \_\_\_\_\_

***Repurchase and Reverse Repurchase Agreements***

- 5. Are yield maintenance repurchase and reverse repurchase agreements accounted for as purchases and sales of securities?  
[GASB 3, par. 83 (GASB Cod. Secs. I50.114 and I55.119)] \_\_\_\_\_
  
- 6. For reverse repurchase and fixed coupon reverse repurchase agreements:
  - a. Are the assets and liabilities arising from the agreements not netted on the financial position statements? \_\_\_\_\_
  
  - b. Are the agreements reported as a liability captioned “obligations under reverse repurchase agreements,” and the underlying securities reported as “investments”?  
[GASB 3, par. 81 (GASB Cod. Sec. I55.115)] \_\_\_\_\_
  
  - c. If the entity pools moneys from several funds for investment purposes, and the pool, rather than the individual funds, has the agreements, are the assets and liabilities reported in the financial position statements of the funds and activities that have the risk

<sup>3</sup> See also the section of this checklist titled “Specialized Topics.”

<sup>4</sup> See also the subsections on derivatives, governmental external investment pools, and employee benefit plans (including pension plans and postemployment healthcare plans)—stand-alone plan reporting in the section of this checklist titled “Specialized Topics.”

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
of loss on those assets (which may involve a pro rata allocation to the various funds and activities based on their equity in the pool)? [GASBI 3, par. 3, as amended by GASB 34, par. 15 (GASB Cod. Sec. I55.117)]	_____	_____	_____

**Securities Lending Transactions**

- |  |       |       |       |
|--|-------|-------|-------|
| 7. Are the following items reported in the financial position statements:  |       |       |       |
| a. Securities lent?<br>[GASB 28, par. 5 (GASB Cod. Sec. I60.103)]  | _____ | _____ | _____ |
| b. Cash received as collateral and investments made with that cash?  | _____ | _____ | _____ |
| c. Securities received as collateral if the entity has the ability to pledge or sell them without a borrower default?  | _____ | _____ | _____ |
| d. Liabilities resulting from these transactions?<br>[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?<br>[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)?<br>[GASB 28, par. 9, and GASB 34, par. 15 (GASB Cod. Sec. I60.107)] | _____ | _____ | _____ |

**B. Nonexchange Transactions**

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**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

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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 or expenditure, or both, recognition criteria are met reported as advances? [GASB 33, pars. 15, 19, and 21 (GASB Cod. Sec. N50.112, .116, and .118)]	_____	_____	_____

**Food Stamps**

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 Assets<sup>5</sup>**

**Practice Tips**

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

[GASB 34, par. 19 and GASB 42, par. 3, fn. 1 (GASB Cod. Sec. 1400.103 and fn. 1)]

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

*(continued)*

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<sup>5</sup> See also the subsections on leases, landfill closure and postclosure care costs, and special assessments in the section of this checklist titled “Specialized Topics.”

Yes    No    N/A

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. Sec. 1400.125 and .133)]

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|--|--------------|--------------|--------------|
| <p>1. Are capital assets of proprietary funds reported in both the government-wide and fund financial statements?<br/>[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)]</p>  | <p>_____</p> | <p>_____</p> | <p>_____</p> |
| <p>2. Are capital assets of fiduciary funds (and similar component units) reported only in the statement of fiduciary net assets?<br/>[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)]</p>   | <p>_____</p> | <p>_____</p> | <p>_____</p> |
| <p>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?<br/>[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)]</p>  | <p>_____</p> | <p>_____</p> | <p>_____</p> |
| <p>4. Subject to the general rules for asset capitalization indicated above:</p>   |              |              |              |
| <p><i>a.</i> 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.)<br/>[GASB 34, par. 25 (GASB Cod. Sec. 1400.107)]</p>   | <p>_____</p> | <p>_____</p> | <p>_____</p> |
| <p><i>b.</i> 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?<br/>[GASB 34, par. 27 and fn. 22 (GASB Cod. Sec. 1400.109 and fn. 9)]</p> | <p>_____</p> | <p>_____</p> | <p>_____</p> |
| <p>5. In the government-wide statement of net assets:</p>  |              |              |              |
| <p><i>a.</i> 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.)</p>  | <p>_____</p> | <p>_____</p> | <p>_____</p> |
| <p><i>b.</i> 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?<br/>[GASB 34, par. 20 (GASB Cod. Sec. 1400.112)]</p>  | <p>_____</p> | <p>_____</p> | <p>_____</p> |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<b>E. Clearing Account Assets</b>			
1. If an agency fund is used as a clearing account to distribute financial resources to other funds of the government, is the portion of the clearing account balance that pertains to those other funds not reported in agency funds but rather reported as assets in the appropriate funds? [GASB 34, par. 111 (GASB Cod. Sec. 2200.176)]	_____	_____	_____
<b>F. Liabilities, Including Debt</b>			
1. Are long-term liabilities directly related to and expected to be paid from proprietary funds reported in the proprietary fund statement of net 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)]	_____	_____	_____
3. Are all other reported unmatured long-term liabilities of the government (except interfund liabilities, certain long-term demand bonds, long-term tax and revenue anticipation notes, and certain principal and interest payments due early in the following year <sup>6</sup> ) 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)]	_____	_____	_____
<b>Customer Deposits</b>			
5. For utility services reported in enterprise funds, are customer deposits for utility services reported in the fund and government-wide financial statements as liabilities until they are applied against unpaid billings or refunded to customers? [AAG-SLV, par. 8.55]	_____	_____	_____
<b>Compensated Absences Liabilities</b>			
6. Are accrued liabilities for compensated absences reported in the government-wide and proprietary and fiduciary fund financial statements,			

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

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)]

Yes      No      N/A

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**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)]

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**Lottery Prizes**

- 8. Does the entity report a liability for lottery prizes?  
 [AAG-SLV, pars. 12.104–.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]

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**Bond, Tax, and Revenue Anticipation Notes**

- 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 Statement of Financial Accounting Standards (SFAS) 6, *Classification of Short-Term Obligations Expected to Be Refinanced—an amendment of ARB No. 43, Chapter 3A*, 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); GASB 34, par. 15 (GASB Cod. Sec. B50.103)]

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	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<b>Debt Refundings</b>			
11. In governmental funds: <sup>7</sup>			
a. For current and advance refundings resulting in defeasance of general long-term debt, is the face amount of the new debt reported as an "other financing source—refunding bonds" in the governmental fund receiving the proceeds?	_____	_____	_____
b. For advance refundings, are payments to the escrow agent from resources provided by the new debt reported as an "other financing use—payment to refunded bond escrow agent" and are payments to the escrow agent made from other resources of the entity reported as debt service expenditures? [GASB 7, par. 8, as amended by GASB 34, par. 82 and par. 88, 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 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)]	_____	_____	_____
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)]	_____	_____	_____
<b>Demand Bonds</b>			
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:	_____	_____	_____
a. Before the financial statements are issued, the issuer has entered into an arm's-length financing (take out) agreement to convert bonds "put" but not resold into some other form of long-term obligation?	_____	_____	_____
b. The take out agreement does not expire within one year from the issuer's financial statement date?	_____	_____	_____
c. The take out agreement is not cancelable by the lender or the prospective lender during that year, and obligations incurred under the take out agreement are not callable by the lender during that year?	_____	_____	_____

<sup>7</sup> Because other financing sources and uses, rather than gains or losses, are reported for debt refundings in governmental funds, those transactions should not be reported as extraordinary items in governmental funds. [GASB 34, par. 89 (GASB Cod. Secs. 1800.131 and 2200.159)]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>d. The lender or the prospective lender or investor is expected to be financially capable of honoring the take out agreement? [GASBI 1, par. 10, as amended by GASB 34, 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>	_____	_____	_____
<p>18. If a take out agreement has been exercised converting demand bonds to an installment loan, is the installment loan reported as general long-term debt (or as long-term debt in the proprietary funds and business-type activities) and is the payment schedule under the installment loan included as part of the schedule of debt service requirements to maturity? [GASBI 1, par. 12 (GASB Cod. Sec. D30.112)]</p>	_____	_____	_____
<p><b><i>Long-Term Obligations That Are Callable Because of Covenant Violations</i></b></p>			
<p>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:</p>	_____	_____	_____
<p>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?</p>	_____	_____	_____
<p>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]</p>	_____	_____	_____
<p>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]</p>	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<b>Contingent Liabilities</b>			
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)]	_____	_____	_____

**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]	_____	_____	_____

**V. Revenues and Expenses/Expenditures<sup>8</sup>**

**A. Income on Investments and Investment-Related Activity<sup>9</sup>**

1. Is investment income, including changes in the fair value of investments, reported as revenue in the activity statements?	_____	_____	_____
2. If identified separately as an element of investment income, is the change in the fair value of investments captioned “net increase (decrease) in the fair value of investments”?	_____	_____	_____
3. Are realized gains and losses not displayed separately from the net increase (decrease) in the fair value of investments in the financial statements? [GASB 31, par. 13, as amended by GASB 34 (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)]	_____	_____	_____

<sup>8</sup> See also the section of this checklist titled “Specialized Topics.”

<sup>9</sup> See also the subsections on derivatives, governmental external investment pools, employee benefit plans (including pension plans and postemployment healthcare plans)—stand-alone plan reporting, and public entity risk pools in the section of this checklist titled “Specialized Topics.”

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<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 I55.119)]	_____	_____	_____
8. Concerning reverse repurchase and fixed coupon reverse repurchase agreements:			
a. Is the interest cost of the agreements reported as interest expenditure or expense, or both, and not netted with interest earned on any related investments? [GASB 3, par. 82 (GASB Cod. Sec. I55.116)]	_____	_____	_____
b. Is the income and costs arising from pooled agreements reported in the activity statements of the funds and activities that have the risk of loss on the assets (which may involve a pro rata allocation to the various funds and activities based on their equity in the pool)? [GASBI 3, par. 4, as amended by GASB 34, par. 15 (GASB Cod. Sec. I55.118)]	_____	_____	_____
c. If income from pooled reverse repurchase agreements that represent equity associated with one fund become the assets of another fund because of legal or contractual provisions, is the reporting treatment based on the specific language of those provisions? [GASBI 3, par. 4 and fn. 3, as amended by GASB 34, par. 112 (GASB Cod. Sec. I55.118 and fn. 6)]	_____	_____	_____
d. If income from pooled agreements that represent equity associated with one fund become the assets of another fund for other than legal or contractual reasons—for example, management decision—is the income and costs reported in the fund that reports the equity with the transfer of those amounts to the recipient fund reported as an interfund transfer? [GASBI 3, par. 4, as amended by GASB 34, par. 112 (GASB Cod. Sec. I55.118)]	_____	_____	_____
<i>Securities Lending Transactions</i>			
9. Concerning SLTs:			
a. Are the costs of SLTs, including borrower rebates (which should be reported as interest expenditures or expenses) and agent fees, reported as expenditures or expenses, and not netted with interest revenue or income from the investment of cash collateral, any other related investments, or loan premiums or fees? [GASB 28, par. 8 (GASB Cod. Sec. I60.106)]	_____	_____	_____
b. Are the income and costs arising from pooled SLTs reported in the activity statements of the funds and activities that have the risk of loss on the assets (which may involve a pro rata allocation to the various funds and activities based on their equity in the pool)? [GASB 28, par. 10, as amended by GASB 34, par. 15 (GASB Cod. Sec. I60.108)]	_____	_____	_____

- |  | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|--|------------|-----------|------------|
| 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?<br>[GASB 28, par. 10 and fn. 9, as amended by GASB 34, par. 112 (GASB Cod. Sec. I60.108 and fn. 9)]  | _____      | _____     | _____      |
| d. If income from pooled SLTs that represent equity associated with one fund become the assets of another fund for other than legal or contractual reasons—for example, management decision—is the income and costs reported in the fund that reports the equity with the transfer of those amounts to the recipient fund reported as an interfund transfer?<br>[GASB 28, par. 10, as amended by GASB 34, par. 112 (GASB Cod. Sec. I60.108)] | _____      | _____     | _____      |

**B. Nonexchange Transactions<sup>10</sup>**

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|---|-------|-------|-------|
| 1. Does the entity report fees received for administering pass-through grants as revenues?<br>[AAG-SLV, par. 8.34]  | _____ | _____ | _____ |
| 2. Does the entity report retiree drug subsidy payment received from the federal government under Medicare Part D as voluntary nonexchange revenues?<br>[GTB 2006-1, pars. 2–3] | _____ | _____ | _____ |

*On-Behalf Payments for Fringe Benefits and Salaries*

- |   |       |       |       |
|---|-------|-------|-------|
| 3. Does a paying government classify the expenditures or expenses for the on-behalf payments for fringe benefits and salaries that it makes in the same manner that it classifies similar cash grants to other entities?<br>[GASB 24, par. 13, as amended by GASB 34, par. 16 (GASB Cod. Sec. N50.135)] | _____ | _____ | _____ |
|---|-------|-------|-------|

*Food Stamps*

- |  |       |       |       |
|--|-------|-------|-------|
| 4. If the entity is a state government, does it report distributions of food stamp benefits as revenue and expenditures in the general fund or a special revenue fund and as revenues and expenses in the governmental activities column of the government-wide financial statements?<br>[GASB 24, par. 6 (GASB Cod. Sec. F60.101); GASB 34, par. 12 (GASB Cod. Sec. F60.102)] | _____ | _____ | _____ |
|--|-------|-------|-------|

**C. Capital Asset-Related Revenues and Expenses/Expenditures**

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

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<sup>10</sup> 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>
<p>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)]</p>	_____	_____	_____
<p>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)]</p>	_____	_____	_____
<p>2. In the government-wide statement of activities:</p>			
<p>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)]</p>	_____	_____	_____
<p>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)]</p>	_____	_____	_____
<p>3. In governmental funds, are capital asset purchases reported as expenditures? [GASB 34, par. 80 (GASB Cod. Sec. 1400.114)]</p>	_____	_____	_____
<p>4. Concerning capital asset impairments:<sup>11</sup></p>			
<p>a. Are impairment losses (and accounting gains that result from insured impairments) reported in the statement of activities and in the statement of revenues, expenses, and changes in fund net assets, as a program or operating expense, special item, or extraordinary item, as appropriate? [GASB 42, par. 17 and fn. 6 (GASB Cod. Sec. 1400.156 and fn. 20)]</p>	_____	_____	_____
<p>b. Are impairment losses reported as program expense generally reported as a direct expense of the program that uses or used the impaired capital asset? [GASB 42, par. 17 (GASB Cod. Sec. 1400.156)]</p>	_____	_____	_____
<p>5. Concerning insurance recoveries and asset restorations and replacements relating to capital asset impairments:<sup>11</sup></p>			
<p>a. In governmental fund financial statements, is the restoration or replacement of an impaired capital asset reported as a transaction separate from the associated insurance recovery?</p>	_____	_____	_____
<p>(1) Is the insurance recovery reported as an other financing source or extraordinary item, as appropriate?</p>	_____	_____	_____

<sup>11</sup> 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.

<sup>11</sup> In accordance with the provisions of GASB Cod. Section C50, recoveries received from internal service funds should be accounted for as indicated in this question. Recoveries received from the general fund should be accounted for as reimbursements to the extent of the impairment loss, if any, and be reported as transfers in the fund financial statements for amounts in excess of the impairment loss, if any. [GASB 42, fn. 8 (GASB Cod. Sec. 1400, fn. 22)]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. In governmental and business-type activities in government-wide financial statements and in proprietary fund financial statements, is the restoration or replacement of an impaired capital asset reported as a transaction separate from the impairment loss and associated insurance recovery?	_____	_____	_____
(1) Is the impairment loss reported net of the associated insurance recovery when the recovery and loss occur in the same year?	_____	_____	_____
(2) Are insurance recoveries reported in subsequent years reported as a program revenue, nonoperating revenue, or extraordinary item, as appropriate? [GASB 42, par. 21 (GASB Cod. Sec. 1400.160)]	_____	_____	_____

**D. Other**

1. Are insurance recoveries other than those relating to impairment of capital assets, such as for theft or embezzlement of cash or other monetary assets, reported as described in the questions at V.C.5? [GASB 42, par. 22 (GASB Cod. Sec. C50.125)]	_____	_____	_____
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**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)]

**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)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<b>B. Summary of Significant Accounting Policies<sup>12</sup></b>			
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]	_____	_____	_____
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)]	_____	_____	_____
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 available 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?	_____	_____	_____

<sup>12</sup> Certain note disclosures listed elsewhere in this checklist should or may be located in the summary of significant accounting policies. See GASB Cod. Section 2300.106a.



	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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)]	_____	_____	_____
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]	_____	_____	_____
r. The basis for stating inventories, including the method of determining cost? [ARB 43, Ch. 3A, par. 9; APB 22, par. 13]	_____	_____	_____

**C. Cash, Investments, and Investment-Related Activity<sup>13</sup>**

1. Are the investment disclosures organized by investment type, unless otherwise required? [GASB 40, par. 4 (GASB Cod. Sec. I50.123)]	_____	_____	_____
2. Are the disclosures required by GASB 3 made for the primary government, including its blended component units, with the risk disclosures required by GASB 40, <i>Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3</i> , also made for governmental and business-type activities, individual major funds, nonmajor funds in the aggregate, or fiduciary funds when the risk exposures are significantly greater than the deposit and investment risks of the primary government? [GASB 40, par. 5 (GASB Cod. Secs. C20.104, I50.121, and I55.107)]	_____	_____	_____
3. For deposits with financial institutions and investments (including repurchase agreements), do note disclosures include:			
a. A brief description of the types of investments authorized by legal or contractual provisions?	_____	_____	_____

<sup>13</sup> See also the subsections on derivatives and governmental external investment pools in the section of this checklist titled "Specialized Topics."

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p><i>b.</i> The differences in authorized investment types, if the types of investments authorized for different funds, fund types, blended component units, or discretely presented component units differ significantly from those authorized for the primary government, and those funds, fund types, blended component units, or discretely presented component units have material investment activity compared with the reporting entity’s investment activity? [GASB 3, par. 65, as amended by GASB 14 and GASB 34, par. 6 (GASB Cod. Sec. I50.124)]</p>	_____	_____	_____
<p><i>c.</i> Deposit and investment policies that are related to disclosed credit quality, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk? (If a government has no deposit or investment policy that addresses a specific type of risk that it is exposed to, the disclosure should indicate that fact.) [GASB 40, par. 6 (GASB Cod. Secs. C20.109 and I50.126)]</p>	_____	_____	_____
<p><i>d.</i> The U.S. dollar balances of deposits and investments that are exposed to foreign currency risk, organized by currency denomination and, if applicable, investment type? [GASB 40, par. 17 (GASB Cod. Secs. C20.108 and I50.133)]</p>	_____	_____	_____
<p><i>e.</i> Significant violations during the period of legal or contractual provisions for deposits and investments and actions taken to address such violations? [GASB 3, par. 66 (GASB Cod. Secs. C20.106 and I50.125); GASB 38, par. 9 (GASB Cod. Secs. 1200.112, C20.106, and I50.125)]</p>	_____	_____	_____
<p><i>f.</i> Losses recognized during the period due to default by counterparties to deposit or investment transactions and amounts recovered from prior-period losses, if not separately displayed on the activity statement? [GASB 3, par. 75 (GASB Cod. Sec. C20.110 and I50.135)]</p>	_____	_____	_____
<p>4. If the entity has deposits, including deposits that represent cash collateral on SLTs, as of the financial statement date that are exposed to custodial credit risk as defined by GASB 40, paragraph 8, do note disclosures include the amount of the bank balances, the fact those balances are uninsured, and the basis on which the balances are exposed to custodial credit risk? [GASB 40, par. 8 (GASB Cod. Sec. C20.107); GASB 40, par. 10 (GASB Cod. Sec. I60.114, fn. 14)]</p>	_____	_____	_____
<p>5. If the entity has investment securities (including securities underlying repurchase agreements) as of the financial statement date that are exposed to custodial credit risk as defined by GASB 40, paragraph 9, do note disclosures include the investments’ type, the reported amount, and how the securities are held? (Investments in external investment pools, investments in open-end mutual funds, and securities underlying reverse repurchase agreements do not require this disclosure. GASB 40, paragraph 10 explains the application of this disclosure requirement to collateral and underlying securities for SLTs.) [GASB 40, par. 9 (GASB Cod. Sec. I50.128); GASB 40, par. 10 (GASB Cod. Sec. I60.114)]</p>	_____	_____	_____
<p>6. For investments, do note disclosures include:</p> <p><i>a.</i> Information about investment valuation, including:</p>			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(1) 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?	_____	_____	_____
(2) The policy for determining which investments, if any, are reported at amortized cost? [GASB 31, par. 15 (GASB Cod. Sec. I50.119)]	_____	_____	_____
b. The credit quality ratings of investments in debt securities (including investments in external investment pools, money market funds, bond mutual funds, and other pooled investments of fixed income securities) as described by rating agencies as of the financial statement date? (In general, obligations of the U.S. government and obligations explicitly guaranteed by the U.S. government do not require this disclosure. In addition, if a credit quality disclosure is required and the investment is unrated, the disclosure should indicate that fact.) [GASB 40, par. 7 (GASB Cod. Sec. I50.127)]	_____	_____	_____
c. Concentration of credit risk, that is, the amount and issuer when investments in any one issuer represents 5 percent or more of total investments based on the level of detail described in GASB 40, paragraph 5? (See Question 2 above.) (Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments do not require this disclosure.) [GASB 40, par. 11 (GASB Cod. Sec. I50.129); GASB 40, par. 12 (GASB Cod. Sec. Pe5.124d); GASB 40, par. 13 (GASB Cod. Sec. Pe6.104c)]	_____	_____	_____
d. Information about the interest rate risk of debt investments using a disclosure method described in GASB 40, paragraph 15, with information about assumptions regarding cash flows, interest rate factors, and other factors that affect interest rate risk? (This disclosure should include investments in mutual funds, external investment pools, or other pooled investments that do not meet the definition of a 2a7-like pool.) [GASB 40, pars. 14–15 (GASB Cod. Sec. I50.130–.131)]	_____	_____	_____
e. The terms of investments with fair values that are highly sensitive to changes in interest rates? [GASB 40, pars. 14 and 16 (GASB Cod. Sec. I50.130 and .132)]	_____	_____	_____
f. For any investments in external investment pools that are not Securities and Exchange Commission (SEC)-registered, a brief description of any regulatory oversight for the pool and whether the fair value of the position in the pool is the same as the value of the pool shares?	_____	_____	_____
g. Any involuntary participation in an external investment pool?	_____	_____	_____
h. If an entity cannot obtain information from a pool sponsor to allow it to determine the fair value of its investment in the pool, the methods used and significant assumptions made in determining that fair value and the reasons for having had to make such an estimate?	_____	_____	_____
i. Any income from investments associated with one fund that is assigned to another fund? [GASB 31, par. 15 (GASB Cod. Sec. I50.119)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
7. If the entity discloses realized gains and losses:			
a. Do the amounts include all realized gains and losses for the year? <sup>14</sup>	_____	_____	_____
b. Does the disclosure state that the calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments?	_____	_____	_____
c. Does the disclosure state that realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year(s) and the current year? [GASB 25, par. 29, fn. 10 (GASB Cod. Sec. Pe5.121, fn. 10); GASB 26, par. 7 (GASB Cod. Sec. Po50.105); GASB 31, par. 15 (GASB Cod. Sec. I50.119)]	_____	_____	_____
8. Are the following disclosures made for investments in common stock accounted for using the equity method:			
a. The name of each investee and percentage of ownership of common stock?	_____	_____	_____
b. The accounting policies relative to equity method investments?	_____	_____	_____
c. The difference, if any, between the amount at which an investment is carried and the amount of underlying equity in net assets 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]	_____	_____	_____
9. If there are commitments as of the financial statement date to resell securities under yield maintenance repurchase agreements, does the entity disclose the reported amount (if applicable) and fair value as of that date of the securities to be resold and a description of the terms of the agreements (such as settlement price ranges, agreed-on yields, maturity dates, and so forth)? [GASB 3, par. 72, as amended by GASB 31, par. 6 (GASB Cod. Sec. I50.134)]	_____	_____	_____

**Futures Contracts**

10. 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?	_____	_____	_____

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<sup>14</sup> GASBI 3, *Financial Reporting for Reverse Repurchase Agreements—an interpretation of GASB Statement No. 3*, paragraph 5 (GASB Cod. Sec. I55, fn. 5), GASB 28, *Accounting and Financial Reporting for Securities Lending Transactions*, footnote 12 (GASB Cod. Sec. I60, fn. 12), and GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, footnote 9 (GASB Cod. Sec. I50, fn. 12) provide that the required disclosure of default losses and recoveries for reverse repurchase agreements and securities lending transactions does not constitute a disclosure of realized gains and losses that would require disclosure of all realized gains and losses for the year. It logically follows that the disclosure of default losses and recoveries on deposit or investment transactions required by GASB 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, paragraph 75 (GASB Cod. Secs. C20.110 and I50.135) also would not constitute a disclosure of realized gains and losses that would require disclosure of all realized gains and losses for the year.

- |   | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|---|------------|-----------|------------|
| <p>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<sup>15</sup>]</p> | _____      | _____     | _____      |

**Foreign Currency Translation**

- |  |       |       |       |
|--|-------|-------|-------|
| <p>11. Does the entity disclose the following:</p>   |       |       |       |
| <p>a. The aggregate transaction gain or loss including in determining results of operations for the period?</p>  | _____ | _____ | _____ |
| <p>b. Rate changes that occur after the financial statement date and their effects on unsettled balances pertaining to foreign currency transactions, if significant?</p>  | _____ | _____ | _____ |
| <p>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, and 143–144]</p> | _____ | _____ | _____ |

**Reverse Repurchase Agreements**

- |   |       |       |       |
|---|-------|-------|-------|
| <p>12. Do note disclosures include:</p>   |       |       |       |
| <p>a. The source of legal or contractual authorization for the use of reverse repurchase agreements, if those agreements were used during the period? [GASB 3, par. 76 (GASB Cod. Sec. I55.109)]</p>  | _____ | _____ | _____ |
| <p>b. Significant violations during the period of legal or contractual provisions for reverse repurchase agreements and actions taken to address such violations? [GASB 3, par. 77 (GASB Cod. Sec. I55.110); GASB 38, par. 9 (GASB Cod. Sec. 1200.112)]</p>   | _____ | _____ | _____ |
| <p>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. I55.111)]</p> | _____ | _____ | _____ |
| <p>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</p>  |       |       |       |

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<sup>15</sup> Although SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, superseded SFAS 80, *Accounting for Futures Contracts*, it did not supersede SFAS 80 for a governmental entity's funds and activities (a) that are required to apply private-sector pronouncements issued on or before November 30, 1989, and (b) that do not choose to apply all FASB statements and interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. If a government applies post-November 30, 1989 FASB pronouncements, the GASB Web site ([www.gasb.org](http://www.gasb.org)) includes a nonauthoritative chart that provides guidance on the applicability of those pronouncements. See also Appendix A of FSP section 13,100.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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. I55.112)]	_____	_____	_____
e. Losses recognized during the period due to default by counterparties to reverse repurchase agreements and amounts recovered from prior-period losses? <sup>16</sup> [GASB 3, par. 80 (GASB Cod. Sec. I55.113)]	_____	_____	_____
f. Whether the maturities of the investments made with the proceeds of reverse repurchase and fixed-coupon reverse repurchase agreements generally are matched to the maturities of the agreements, as well as the extent of such matching at the financial statement date? [GASBI 3, par. 6 (GASB Cod. Sec. I55.114)]	_____	_____	_____

**Securities Lending Transactions**

13. For SLTs, are the following note disclosures included:

a. The source of legal or contractual authorization for the use of SLTs? [GASB 28, par. 11 (GASB Cod. Sec. I60.109)]	_____	_____	_____
b. Significant violations of those provisions that occurred during the period and actions taken to address such violations? [GASB 28, par. 11 (GASB Cod. Sec. I60.109); GASB 38, par. 9 (GASB Cod. Sec. 1200.112)]	_____	_____	_____
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 the securities loans, as well as the extent of such matching at the financial statement date? [GASB 28, par. 13 (GASB Cod. Sec. I60.111)]	_____	_____	_____
e. The amount of credit risk, if any, related to the SLTs at the financial statement date? (Credit risk is calculated as the aggregate of the			

<sup>16</sup> Disclosure of default losses and recoveries by defined benefit pension plans does not constitute a disclosure of realized gains and losses that under GASB 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, footnote 10 (GASB Cod. Sec. Pe5, fn. 10) would require disclosure of all realized gains and losses for the period. [GASBI 3, par. 5 (GASB Cod. Sec. I55, fn. 5)]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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 losses on SLTs during the period resulting from the default of a borrower or lending agent and amounts recovered from prior-period losses? <sup>17</sup> [GASB 28, par. 15 (GASB Cod. Sec. I60.113)]	_____	_____	_____
g. Custodial credit risk for collateral and underlying securities for securities lending transactions as provided by GASB 40, paragraph 10? [GASB 40, par. 10 (GASB Cod. Sec. I60.114)]	_____	_____	_____
<b>D. Nonexchange Transactions<sup>18</sup></b>			
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)]	_____	_____	_____
<i>Property Taxes</i>			
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)]	_____	_____	_____
<i>On-Behalf Payments for Fringe Benefits and Salaries</i>			
6. Do the notes disclose the amount of revenue recognized for on-behalf payments for fringe benefits and salaries?	_____	_____	_____
7. If another organization makes contributions to a pension plan on behalf of the entity’s employees for which the entity is not legally responsible, do the notes disclose the name of the plan that covers the entity’s employees and the name of the other organization that makes the contributions? [GASB 24, par. 12 (GASB Cod. Sec. N50.134)]	_____	_____	_____

<sup>17</sup> See footnote 16.

<sup>18</sup> 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.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>Donor-Restricted Endowments</i>			
8. Do the notes disclose the following information about donor-restricted endowments:			
a. The amounts of net appreciation on investments of donor-restricted endowments that are available for authorization for expenditure by the governing board, and how those amounts are reported in net assets?	_____	_____	_____
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?	_____	_____	_____
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. 117–118 (GASB Cod. Sec. 2300.112–.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]	_____	_____	_____
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, paragraphs 148–150 (GASB Cod. Sec. 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)]	_____	_____	_____
5. Is the carrying amount of impaired capital assets that are idle at year-end disclosed, regardless of whether the impairment is considered permanent or temporary? [GASB 42, par. 20 (GASB Cod. Secs. 1400.159 and 2300.107ff)]	_____	_____	_____



**F. Liabilities, Including Debt**

Yes    No    N/A

*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:<sup>19</sup>  
 [GASB 34, par. 116 (GASB Cod. Sec. 2300.111)]
  - a. Beginning- and end-of-year balances (regardless of whether prior-year data are presented on the face of the government-wide financial statements)? \_\_\_\_\_
  - b. Increases and decreases (separately presented)? \_\_\_\_\_
  - c. The portions of each item that are due within one year of the statement date? \_\_\_\_\_
  - d. Which governmental funds typically have been used to liquidate other long-term liabilities (such as compensated absences and pension liabilities) in prior years?  
 [GASB 34, par. 119 (GASB Cod. Sec. 2300.114)] \_\_\_\_\_
3. Does the entity disclose the following details of debt service requirements to maturity:
  - a. Principal and interest requirements to maturity, presented separately, for each of the five subsequent fiscal years and in five-year increments thereafter? (Interest requirements for variable-rate debt should be determined using the rate in effect at the financial statement date.) \_\_\_\_\_
  - b. The terms by which interest rates change for variable-rate debt?  
 [GASB 38, par. 10 (GASB Cod. 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? \_\_\_\_\_

<sup>19</sup> 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>
b. If some interest cost is capitalized, the total amount of interest cost incurred and the amount capitalized? [SFAS 34, par. 21]	_____	_____	_____

***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 defeased with new variable-rate debt, additional disclosures should be made as provided in GASB 7, <i>Advance Refundings Resulting in Defeasance of Debt</i> , 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?	_____	_____	_____

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

***Troubled Debt Restructuring***

<p>10. For periods after a troubled debt restructuring, do disclosures include:</p>			
<p>a. Extent to which amounts contingently payable are included in the carrying amount of restructured payables?</p>	_____	_____	_____
<p>b. Total amounts contingently payable, if applicable, and conditions under which those amounts would become payable or forgiven? [SFAS 15, par. 26]</p>	_____	_____	_____

**G. Contingencies and Commitments**

<p>1. Do the notes disclose contingent liabilities not requiring accrual, including guarantees, such as situations in which the entity is contingently liable for proprietary fund or trust fund indebtedness (for example, through a general obligation backing on enterprise fund debt)?<sup>20</sup> [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; FIN 34, pars. 2–3; FIN 45, pars. 17–18<sup>21</sup> ]</p>	_____	_____	_____
<p>2. For unconditional purchase obligations that have not been recognized on the entity’s financial position statement(s), do the notes disclose:</p>			
<p>a. The nature and term of the obligation(s)?</p>	_____	_____	_____
<p>b. The amount of the fixed and determinable portion of the obligation(s) as of the date of the latest financial position statement in the aggregate and, if determinable, for each of the five succeeding fiscal years?</p>	_____	_____	_____
<p>c. The nature of any variable components of the obligation(s)?</p>	_____	_____	_____
<p>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]</p>	_____	_____	_____
<p>3. Does the entity disclose unused letters of credit, assets pledged as security for loans, and construction and other significant commitments?<sup>22</sup> [NCGA 1, par. 158, as amended by NCGAI 6, par. 4 (GASB Cod. Sec. 2300.106k); SFAS 5, pars. 18–19]</p>	_____	_____	_____

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<sup>20</sup> 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.”

<sup>21</sup> Although FIN 34, *Disclosure of Indirect Guarantees of Indebtedness of Others—an interpretation of FASB Statement No. 5*, was superseded by FIN 45, *Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others—an interpretation of FASB Statements No. 5, 57, and 107 and rescission of FASB Interpretation No. 34*, it is not superseded for a governmental entity’s funds and activities that are required to apply FASB pronouncements issued on or before November 30, 1989. Further, the provisions of FIN 45, paragraphs 17–18, are substantially the same as those of FIN 34, paragraphs 2–3.

<sup>22</sup> Commitments are existing arrangements to enter into future transactions or events. [AAG-SLV, par. 8.83]

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

**H. Joint Costs That Include Fund Raising**

1. If the entity allocates joint costs among fund raising and other functions, does it disclose:			
<i>a.</i> The types of activities for which joint costs have been incurred?	_____	_____	_____
<i>b.</i> A statement that such costs have been allocated?	_____	_____	_____
<i>c.</i> The total amount allocated during the period and the portion allocated to each functional expense category?	_____	_____	_____
<i>d.</i> The amount of joint costs for each kind of joint activity (encouraged but not required)? [SOP 98-2, pars. 18–19 (ACC 10,730.18–.19)]	_____	_____	_____

**I. Segment Disclosures**

1. Does the entity make segment disclosures for each identifiable activity (or grouping of activities) reported as or within an enterprise fund or an other stand-alone entity that use enterprise fund accounting and reporting standards; and that has one or more bonds or other debt instruments (such as certificates of participation) outstanding, with a revenue stream pledged in support of that debt and an externally imposed requirement to account for the activity’s revenues, expenses, gains and losses, assets, and liabilities separately? <sup>23</sup>	_____	_____	_____
2. Do disclosures for each segment:			
<i>a.</i> Identify the types of goods and services provided?	_____	_____	_____
<i>b.</i> 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)?	_____	_____	_____
(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?	_____	_____	_____
<i>c.</i> Present a condensed statement of revenues, expenses, and changes in net assets, including:			
(1) Operating revenues (by major source)?	_____	_____	_____

<sup>23</sup> Segment disclosures are not required for an activity whose only outstanding debt is conduit debt for which the government has no obligation beyond the resources provided by related leases or loans. In addition, segment reporting is not required when an individual fund both is a segment and is reported as a major fund. [GASB Cod. Sec. 2500, fn. 1 (GASB 34, fn. 48)]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(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?	_____	_____	_____
<i>d.</i> Present a condensed statement of cash flows, including:			
(1) Net cash provided (used) by:			
(i) Operating activities?	_____	_____	_____
(ii) Noncapital financing activities?	_____	_____	_____
(iii) Capital and related financing activities?	_____	_____	_____
(iv) 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?<br>[NCGA 4, pars. 9 and 14, as amended by GASB 10 (GASB Cod. Sec. C50.150); GASB 10, par. 53 (GASB Cod. Sec. C50.110); SFAS 5, par. 8; AU 560.03-.04 and 560.07]   | _____ | _____ | _____ |
| 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.)<br>[GASB 10, par. 80 (GASB Cod. Secs. 2300.106f and C50.149); SFAS 5, par. 11; AU 560.05-.07 and 560.09] | _____ | _____ | _____ |

**K. Related Parties, Including Component Units**

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

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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; AU 334.11-.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]	_____	_____	_____

**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?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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)]	_____	_____	_____
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. A general description, the amount, and the financial statement classification of impairment losses on capital assets? [GASB 42, par. 17 (GASB Cod. Secs. 1400.156 and 2300.107ff)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
i. The amount and financial statement classification of insurance recoveries? [GASB 42, par. 21 (GASB Cod. Secs. 1400.160 and 2300.107ff)]	_____	_____	_____
j. Deficit fund balance or net assets of individual nonmajor funds? [NCGAI 6, par. 4, as amended by GASB 34 (GASB Cod. Sec. 2300.106n)]	_____	_____	_____
k. The amount of the primary government’s net assets at the end of the reporting period that are restricted by enabling legislation?# [GASB 46, par. 6 (GASB Cod. Secs. 1800.134 and 2200.119)]	_____	_____	_____

**VII. Specialized Topics**

**A. Organizational Relationships, Including Component Units and Joint Ventures Component Units<sup>24</sup>**

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:			

# The provisions of GASB 46, *Net Assets Restricted by Enabling Legislation—an amendment of GASB Statement No. 34*, are effective for financial statements for periods beginning after June 15, 2005.

<sup>24</sup> The requirements of GASB 14, *The Financial Reporting Entity*, 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. 65–66 (GASB Cod. Sec. 2600.124–.125)]



	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(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 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. Condensed statement of activities:</i>			
(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, *The Financial Reporting Entity*, paragraph 69 (GASB Cod. Section 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 7–12 below.  
[GASB 14, par. 78 (GASB Cod. Sec. J50.112)]

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

- |   | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|---|------------|-----------|------------|
| 13. When a joint venture or jointly governed organization is included as a component unit in the majority participant’s financial reporting entity, does the joint venture or jointly governed organization report any equity interests of the minority participants as “reserved for minority interests”?<br>[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 or expenses, or both, and revenues that are associated with the joint operation? | _____ | _____ | _____ |
| 15. If a separate organization is created in which there is both an undivided interest in specific assets and liabilities and equity interests in the other net resources of the organization (a hybrid arrangement), does the participant report using the guidance for both undivided interests and joint ventures?<br>[GASB 14, par. 80 (GASB Cod. Sec. J50.114)]   | _____ | _____ | _____ |

**B. Derivatives<sup>25</sup>**

- |   |       |       |       |
|---|-------|-------|-------|
| 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):<br>[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?<br>[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?<br>[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?<br>[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?<br>[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  |       |       |       |

---

<sup>25</sup> GTB 03-1 adopts the definition of *derivative* from SFAS 133, paragraph 6, as amended. [GTB 03-1, par. 3 (GASB Cod. Sec. 2300.601)]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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 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? <sup>26</sup>   | _____ | _____ | _____ |
| 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   | _____ | _____ | _____ |

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<sup>26</sup> 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.

(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)]

Yes    No    N/A

\_\_\_\_\_

***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?

\_\_\_\_\_

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. 8-9 (GASB Cod. Sec. L10.107-.108)]

\_\_\_\_\_

3. For MSWLF activities reported in governmental funds, are long-term liabilities for closure and postclosure care costs not reported as expenditures and liabilities in the governmental funds but only as expenses

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

- |   | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|---|------------|-----------|------------|
| 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?<br>[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?<br>[NCGA 5, par. 11, as amended by GASB 13, pars. 5–6, 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 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.)<br>[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 or from, or both, component units or with capital lease receivables and payables with organizations outside the reporting entity?<br>[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?<br>[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?<br>[GASB 13, par. 9 (GASB Cod. Sec. L20.108)]  | _____ | _____ | _____ |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
6. Does the entity make the disclosures required by SFAS 13, as amended and interpreted, including: <sup>27</sup> [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]	_____	_____	_____
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]	_____	_____	_____
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 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]	_____	_____	_____
d. For leveraged leases, the disclosures provided for in SFAS 13, paragraph 47? [SFAS 13, par. 47]	_____	_____	_____

*Lessees*<sup>28</sup>

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. Section 1600.120–.121 standards for general obligation debt? [NCGA 5, par. 14 (GASB Cod. Sec. L20.113)]	_____	_____	_____

<sup>27</sup> Disclosures required by SFAS 13, *Accounting for Leases*, are required when leasing, exclusive of leveraged leasing, is a significant part of the lessor’s business activities in terms of revenue, net income, or assets. [SFAS 13, par. 23]

<sup>28</sup> Governments also are required to disclose information about changes in long-term liabilities, including leases payable, as indicated in a question in the subsection on liabilities, including debt, in the section of this checklist titled “Note Disclosures.”



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

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

**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]	_____	_____	_____

**H. Employee Benefit Plans (Including Pension Plans and Postemployment Healthcare Plans)—Stand-Alone Plan Reporting<sup>†</sup>**

**Practice Tips**

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

GASB 25 establishes specific standards for defined benefit and defined contribution pension plans. A defined benefit pension is one that specifies the amount of pension benefits to be provided at a future date or after a certain period of time. A defined contribution pension plan is one that specifies how contributions to a plan member’s account are to be determined, rather than the amount of retirement income the member is to receive.  
[GASB 25, par. 44 (GASB Cod. Sec. Pe5.524); GASB 25, par. 44 and GASB 26, par. 11 (GASB Cod. Sec. Pe5.525)]

A defined benefit pension plan provides retirement income and also may provide other types of postemployment benefits, including disability benefits, death benefits, life insurance, healthcare benefits, and other ancillary benefits. As used GASB standards, the term *pension benefits* includes retirement income and all other types of benefits provided through a defined benefit pension plan, except postemployment healthcare benefits. For financial reporting purposes, postemployment healthcare benefits (including medical, dental, vision, and other health-related benefits) provided through a defined benefit pension plan, and the assets accumulated by the plan for the payment of postemployment healthcare benefits, are considered, in substance, a postemployment healthcare plan administered by but not part of the pension plan.  
[GASB 25, par. 12 (GASB Cod. Sec. Pe5.104)]

GASB 26, *Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans*, establishes specific standards for postemployment health care plans administered by state and local governmental defined benefit pension plans. Postemployment health care plans provide medical, dental, vision, and other health-related benefits to terminated employees, retired employees, dependents, and beneficiaries.  
[GASB 25, par. 44 and GASB 26, par. 11 (GASB Cod. Sec. Pe5.554); GASB 26, par. 3 (GASB Cod. Sec. Po50.101)]

<sup>†</sup> See footnote † on page 13,120.

Yes   No   N/A

The standards for defined benefit pension plans and postemployment healthcare plans apply whether a plan is a single-employer, agent multiple-employer, or cost-sharing multiple-employer plan and regardless of how or when benefits provided by the plan are financed. (GASB 25 and 26 define those types of plans.) The requirements apply whether (a) the plan’s financial statements are included in a separate financial report issued by the plan or by the public employee retirement system (PERS) that administers the plan (stand-alone plan financial report) or (b) the plan is included as a pension (or other employee benefit) trust fund or fiduciary component unit in the financial reporting entity of the sponsor or employer.  
 [GASB 25, par. 13, as amended by GASB 34, par. 106 (GASB Cod. Sec. Pe5.105); GASB 26, par. 4, as amended by GASB 34, par. 106 (GASB Cod. Sec. Po50.102)]

This subsection of this checklist applies to stand-alone plan financial statements. The subsection on employee benefit plans (including pension plans and postemployment healthcare plans)—sponsor and employer reporting of this section of this checklist provides guidance on adapting the questions in this subsection to plans that are included as pension (or other employee benefit) trust funds or fiduciary component units in the financial reporting entity of the sponsor or employer.

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

*Note:* See Appendix B of FSP section 13,100 for GASB 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*, amendments to the RSI and note disclosure requirements to GASB 27, *Accounting for Pensions by State and Local Governmental Employers*, effective for financial statements prepared for periods beginning after June 15, 2007.

**Overview of the Financial Statements**

1. Do the basic financial statements consist of a statement of fiduciary net assets and a statement of changes in fiduciary net assets? (Those financial statements may be referred to by different terms, such as *a statement of plan net assets* and *a statement of changes in plan net assets*.) \_\_\_\_\_  
 [GASB 25, par. 7 (GASB Cod. Sec. Po50.105); GASB 25, par. 19 (GASB Cod. Sec. Pe5.111); GASB 34, par. 106 and fn. 43 (GASB Cod. Secs. 1300.102c and fn. 1 and 2200.172 and fn. 32); GASB 34, par. 139 (GASB Cod. Sec. Sp20.108)]
  
2. If the entity administers more than one defined benefit pension plan or postemployment healthcare plan, does it present combining financial statements for all plans administered? (An entity should meet this requirement by (a) presenting a separate column in its basic financial statements for each plan administered or (b) presenting combining statements for those plans as part of the basic financial statements. If the entity administers one or more agent multiple-employer plans, the display requirements apply at the aggregate plan level for each plan administered; the entity is not required to include financial statements and schedules for the individual plans of the participating employers.) \_\_\_\_\_  
 [GASB 25, par. 15 (GASB Cod. Sec. Pe5.107); GASB 26, par. 7 (GASB Cod. Sec. Po50.105); GASB 34, par. 140 and fn. 64 (GASB Cod. Sec. Sp20.109 and fn. 7)]
  
3. If the entity administers and reports other employee benefit plans (such as defined contribution pension plans, other postemployment benefit plans, or Internal Revenue Code Section 457 deferred compensation plans that meet the criteria for reporting), are they displayed in

the statement of fiduciary net assets and statement of changes in fiduciary net assets as employee benefit trust funds? (Combining financial statements for those plans are encouraged, but not required.) [GASB 34, pars. 108–109 and 141 (GASB Cod. Secs. 2200.173–.174 and Sp20.110)]

Yes    No    N/A

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Statement of Fiduciary Net Assets**

4. Are plan assets subdivided into:

a. The major categories of assets held, for example, cash and cash equivalents, receivables, investments, and assets used in plan operations?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

b. The principal components of the receivables and investment categories? [GASB 25, par. 21 (GASB Cod. Sec. Pe5.113); GASB 26, par. 7 (GASB Cod. Sec. Po50.105); GASB 34, par. 108 (GASB Cod. Sec. 2200.173)]

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

5. Do plan assets exclude allocated insurance contracts?

[GASB 25, par. 24 (GASB Cod. Sec. Pe5.116); GASB 26, par. 7 (GASB Cod. Sec. Po50.105); GASB 34, par. 108 (GASB Cod. Sec. 2200.173)]

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

6. Do plan liabilities exclude benefits payable from contracts that are excluded from plan assets and for which payments to the insurance company have been made?

[GASB 25, par. 26 (GASB Cod. Sec. Pe5.118); GASB 26, par. 7 (GASB Cod. Sec. Po50.105); GASB 34, par. 108 (GASB Cod. Sec. 2200.173)]

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\_\_\_\_\_

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7. Is the difference between total plan assets and total plan liabilities at the reporting date appropriately captioned, for example as *net assets held in trust for pension benefits*?

[GASB 25, par. 27 (GASB Cod. Sec. Pe5.119); GASB 26, par. 7 (GASB Cod. Sec. Po50.105); GASB 34, par. 108 (GASB Cod. Sec. 2200.173)]

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8. If a schedule of funding progress for a defined benefit pension or postemployment healthcare plan is presented as RSI, does a parenthetical reference follow the net asset amount to refer to that schedule?

[GASB 25, par. 27 (GASB Cod. Sec. Pe5.119); GASB 26, par. 7 (GASB Cod. Sec. Po50.105)]

\_\_\_\_\_

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**Statement of Changes in Fiduciary Net Assets**

9. Is the information in the statement presented in two principal sections—additions and deductions?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

10. Is the difference between total additions and deductions reported as the net increase (or decrease) for the year in plan net assets?

[GASB 25, par. 28 (GASB Cod. Sec. Pe5.120); GASB 26, par. 7 (GASB Cod. Sec. Po50.105); GASB 34, par. 109 (GASB Cod. Sec. 2200.174)]

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

11. Does the additions section of the statement include the information in these four categories as applicable, separately displayed:

a. Contributions from the employers?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

b. Contributions from plan members, including those transmitted by the employers?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>c. Contributions from sources other than the employers and plan members (for example, state government contributions to a local government plan)? [GASB 25, par. 29 (GASB Cod. Sec. Pe5.121); GASB 26, par. 7 (GASB Cod. Sec. Po50.105); GASB 34, par. 109 (GASB Cod. Sec. 2200.174)]</p>	_____	_____	_____
<p>d. Net investment income, including:</p>			
<p>(1) The following two components either separately displayed or combined and reported as one amount? [GASB 25, fn. 11 (GASB Cod. Sec. Pe5, fn. 11); GASB 26, par. 7 (GASB Cod. Sec. Po50.105); GASB 34, par. 109 (GASB Cod. Sec. 2200.174)]</p>	_____	_____	_____
<p>(i) The net appreciation (depreciation) in the fair value of plan investments? (The net appreciation (depreciation) in the fair value of investments should include realized gains and losses on investments that were both bought and sold during the year. Realized and unrealized gains and losses should not be separately displayed in the financial statements.) [GASB 25, par. 29 and fn. 10 (GASB Cod. Sec. Pe5.121 and fn. 10); GASB 26, par. 7 (GASB Cod. Sec. Po50.105); GASB 34, par. 109 (GASB Cod. Sec. 2200.174)]</p>	_____	_____	_____
<p>(ii) Interest income, dividend income, and other income? (Consistent with reporting investments at their fair value, interest income should be reported at the stated interest rate; any premiums or discounts on debt securities should not be amortized.) [GASB 25, par. 29 and fn. 11 (GASB Cod. Sec. Pe5.121 and fn. 11); GASB 26, par. 7 (GASB Cod. Sec. Po50.105); GASB 34, par. 109 (GASB Cod. Sec. 2200.174)]</p>	_____	_____	_____
<p>(2) Total investment expense, separately displayed, including investment management and custodial fees and all other significant investment-related costs? [GASB 25, par. 29 (GASB Cod. Sec. Pe5.121); GASB 26, par. 7 (GASB Cod. Sec. Po50.105); GASB 34, par. 109 (GASB Cod. Sec. 2200.174)]</p>	_____	_____	_____
<p>12. Does the deductions section separately display:</p>			
<p>a. Benefits and refunds paid to plan members and beneficiaries? (Benefits paid should not include payments made by an insurance company in accordance with a contract that is excluded from plan assets. However, amounts paid by the plan to an insurance company pursuant to such a contract, including purchases of annuities with amounts allocated from existing investments with the insurance company, should be included in benefits paid. The amounts reported may be net of the plan's dividend income for the year on excluded contracts.) [GASB 25, pars. 30–31 (GASB Cod. Sec. Pe5.122–.123); GASB 26, par. 7 (GASB Cod. Sec. Po50.105); GASB 34, par. 109 (GASB Cod. Sec. 2200.174)]</p>	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>b. Total administrative expense?                      [GASB 25, par. 30 (GASB Cod. Sec. Pe5.122); GASB 26, par. 7 (GASB Cod. Sec. Po50.105); GASB 34, par. 109 (GASB Cod. Sec. 2200.174)]</p>	_____	_____	_____
<p>13. Are movements of member account asset balances from one plan to another reported as separate line items within the deductions and additions sections of each plan’s statement of changes in fiduciary net assets, and not as transfers?                      [Q&amp;A, item 5.69]</p>	_____	_____	_____
<i>Note Disclosures</i>			
<p>14. Does the SSAP:</p> <p>a. Describe the recognition policies for contributions, benefits paid, and refunds paid for defined benefit pension and postemployment healthcare plans?                      [GASB 25, par. 32b (GASB Cod. Sec. Pe5.124b); GASB 26, par. 7 (GASB Cod. Sec. Po50.105)]</p> <p>b. Describe the basis of accounting for defined contribution pension plans?                      [GASB 25, par. 41b (GASB Cod. Sec. Pe6.104b)]</p> <p>c. Provide information about investment valuation, including:</p> <p>(1) For defined benefit pension and postemployment healthcare plans, a brief description of how the fair value of investments is determined?                      [GASB 25, par. 32b (GASB Cod. Sec. Pe5.124b); GASB 26, par. 7 (GASB Cod. Sec. Po50.105)]</p> <p>(2) For defined contribution pension plans, the fair value of plan assets (unless plan assets are reported at fair value), and a brief description of how the fair value is determined?                      [GASB 25, par. 41b (GASB Cod. Sec. Pe6.104b)]</p>	_____	_____	_____
<p>15. For defined benefit pension and postemployment healthcare plans, do the notes to the financial statements:</p> <p>a. Identify the nature of the plan (for example, as a single-employer, agent multiple-employer, or cost-sharing multiple-employer defined benefit pension or postemployment healthcare plan) and disclose the number of participating employers and other contributing entities?</p> <p>b. Disclose the classes of employees covered (for example, general employees and public safety employees) and the current membership, including the number of retirees and beneficiaries currently receiving benefits, terminated members entitled to but not yet receiving benefits, and current active members? (If the plan is closed to new entrants, that fact should be disclosed.)</p> <p>c. Briefly describe the benefit provisions, including the types of benefits, the provisions or policies with respect to automatic and ad hoc postretirement benefit increases, and the authority under which benefit provisions are established or may be amended?                      [GASB 25, par. 32a (GASB Cod. Sec. Pe5.124a); GASB 26, par. 7 (GASB Cod. Sec. Po50.105)]</p>	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
d. Disclose the authority under which the obligations of the plan members, employers, and other contributing entities to contribute to the plan are established or may be amended?	_____	_____	_____
e. Disclose the funding policy, including a brief description of how the contributions of the plan members, employers, and other contributing entities are determined (for example, by statute, through an actuarial valuation, or in some other manner) and how the costs of administering the plan are financed?	_____	_____	_____
f. The required contribution rates of active plan members, in accordance with the funding policy?	_____	_____	_____
g. Briefly describe the terms of any long-term contracts for contributions to the plan and disclosure of the amounts outstanding at the reporting date?	_____	_____	_____
h. Disclose the balances in the plan’s legally required reserves at the reporting date? (Amounts of net assets designated by the plan’s board of trustees or other governing body for specific purposes also may be disclosed but should be captioned designations, rather than reserves.)	_____	_____	_____
i. Briefly describe the purpose of each reserve and designation and whether the reserve is fully funded? [GASB 25, par. 32c (GASB Cod. Sec. Pe5.124c); GASB 26, par. 7 (GASB Cod. Sec. Po50.105)]	_____	_____	_____
16. For postemployment healthcare plans, do the notes to the financial statements also:			
a. Briefly describe the eligibility requirements for benefits?	_____	_____	_____
b. Disclose the required employer contribution rates? [GASB 26, par. 7 (GASB Cod. Sec. Po50.105)]	_____	_____	_____
17. For defined benefit pension, defined contribution pension, and postemployment healthcare plan investments, do disclosures include concentrations of credit risk—that is, an identification, by amount and issuer, of investments in any one issuer that represent 5 percent or more of plan net assets? (Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.) [GASB 26, par. 7 (GASB Cod. Sec. Po50.105); GASB 40, pars. 12–13 (GASB Cod. Secs. Pe5.124d and Pe6.104c)]	_____	_____	_____
18. For defined contribution pension plans, do the notes to the financial statements disclose a plan description, including:			
a. Identification of the plan as a defined contribution pension plan and disclosure of the number of participating employers and other contributing entities?	_____	_____	_____
b. Classes of employees covered (for example, general employees, public safety employees) and the total current membership?	_____	_____	_____
c. Brief description of plan provisions and the authority under which they are established or may be amended?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
d. 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? [GASB 25, par. 41a (GASB Cod. Sec. Pe6.104a)]	_____	_____	_____

*Required Supplementary Information for Defined Benefit Pension Plans*

**Practice Tips**

GASB 25 requires presentation of RSI to provide actuarially determined information, from a long-term perspective, about the funded status of defined benefit pension plans and the progress being made in accumulating sufficient assets to pay benefits when due. GASB 25 requires plans to measure all actuarially determined information included in their financial reports in accordance with certain parameters. The parameters include requirements for the frequency and timing of actuarial valuations as well as for the actuarial methods and assumptions that are acceptable for financial reporting. When the methods and assumptions used in determining a plan’s funding requirements meet the parameters, the same methods and assumptions are required for financial reporting by the plan.  
[GASB 25, pars. 35–36 (GASB Cod. Sec. Pe5.127–.128)]

GASB 25 requires schedules of funding progress and of employer contributions and related notes. Alternatively, GASB 25 permits a plan to present the information for one or both of the schedules in the financial statements or in the notes to the financial statements. If the entity chooses the financial statement alternative, either or both the statement of funding progress and the statement of employer contributions should be presented in addition to and separate from the statement of fiduciary net assets and statement of changes in fiduciary net assets. If presented, the additional statements or notes should include the same items of information that is required for the RSI for the most recent year (actuarial valuation) available; information for one or more prior years also may be included. The information also should be presented as RSI for all six years, unless all years are included in the additional statements or notes. The following questions are written in terms of presentation of schedules and notes as RSI, but they apply equally to the content of the information in the financial statements or the notes to the financial statements.  
[GASB 25, fn. 18 (GASB Cod. Sec. Pe5, fn. 18)]

*Note:* See Appendix B of FSP section 13,100 for GASB 50 amendments to the RSI and note disclosure requirements to GASB 27, effective for financial statements prepared for periods beginning after June 15, 2007.

19. Are schedules of funding progress and of employer contributions presented as RSI immediately after the notes to the financial statements? (Plans that use the aggregate actuarial cost method in accordance with the parameters of GASB 25 are not required to present a schedule of funding progress but should disclose that the aggregate method is used.) [GASB 25, par. 33 and fn. 17 (GASB Cod. Sec. Pe5.125 and fn. 17)]	_____	_____	_____
20. Does the schedule of funding progress present the following information for each of the past six consecutive fiscal years of the plan, presented as of the actuarial valuation date (note that plans with biennial valuations need not present duplicate information for the intervening years):			
a. The actuarial valuation date?	_____	_____	_____
b. The actuarial value of plan assets?	_____	_____	_____
c. The actuarial accrued liability?	_____	_____	_____
d. The total unfunded actuarial liability or excess [(b) minus (c)]?	_____	_____	_____



	<u>Yes</u>	<u>No</u>	<u>N/A</u>
e. The actuarial value of assets as a percentage of the actuarial accrued liability or excess (funded ratio) [(b) divided by (c)]?	_____	_____	_____
f. The annual covered payroll?	_____	_____	_____
g. The ratio of the unfunded actuarial liability or excess to annual covered payroll [(d) divided by (f)]? [GASB 25, par. 37 and fn. 26 (GASB Cod. Sec. Pe5.129 and fn. 26)]	_____	_____	_____
21. Does the schedule of employer contributions present the following information for each of the past six consecutive fiscal years of the plan:			
a. The dollar amount of the ARC applicable to that year?	_____	_____	_____
b. The percentage of that ARC that was recognized in the plan's statement of changes in fiduciary net assets for that year as contributions from the employers?	_____	_____	_____
22. If the plan's funding policy includes contributions from sources other than the plan members and the employers, are the required contributions of those other contributing entities and the percentage recognized as made included in the schedule of employer contributions?	_____	_____	_____
a. Is the schedule appropriately titled to indicate that it includes contributions from nonemployer entities? [GASB 25, par. 38 (GASB Cod. Sec. Pe5.130)]	_____	_____	_____
23. Do the following note disclosures accompany the RSI:			
a. Identification of the actuarial methods and significant assumptions used for the most recent year reported in the schedules, including:			
(1) The actuarial cost method?	_____	_____	_____
(2) The methods used to determine the actuarial value of assets?	_____	_____	_____
(3) The assumptions with respect to the inflation rate, investment return, projected salary increases, and postretirement benefit increases? (If the economic assumptions contemplate different rates for successive years [year-based or select and ultimate rates], the rates that should be disclosed are the ultimate rates.)	_____	_____	_____
(4) The amortization method (level dollar or level percentage of projected payroll) and the amortization period (equivalent single amortization period, for plans that use multiple periods) for the most recent actuarial valuation and whether the period is closed or open? (Plans that use the aggregate actuarial cost method should disclose that the method does not identify or separately amortize unfunded actuarial liabilities.)	_____	_____	_____
b. Factors that significantly affect the identification of trends in the amounts reported in the schedules, including, for example, changes in benefit provisions, the size or composition of the population covered by the plan, or the actuarial methods and assumptions used? [GASB 25, par. 40 (GASB Cod. Sec. Pe5.132)]	_____	_____	_____

Yes   No   N/A

*Required Supplementary Information for Postemployment Healthcare Plans*

**Practice Tip**

GASB 26 does not require supplementary information for postemployment healthcare plans, but allows specific information to be presented as RSI—schedules of funding progress and of employer contributions and the related notes as required by GASB 25 for defined benefit pension plans. Alternatively, a plan could present the information for one or both of the schedules in the financial statements or in the notes to the financial statements. If the entity chooses the financial statement alternative, either or both the statement of funding progress and the statement of employer contributions should be presented in addition to and separate from the statement of fiduciary net assets and statement of changes in fiduciary net assets. The same information that would be presented in the RSI would be presented in the additional statements or notes for the most recent year (actuarial valuation) available; information for one or more prior years also may be included. The information also could be presented as RSI for all six years, unless all years are included in the additional statements or notes. The following questions are written in terms of presentation of schedules and notes as RSI, but they apply equally to the content of the information in the financial statements or notes to the financial statements.

[GASB 25, fn. 18 (GASB Cod. Sec. Pe5, fn. 18); GASB 26, par. 8 and fn. 5 (GASB Cod. Sec. Po50.106 and fn. 5)]

- |  |  |  |  |
|--|--|--|--|
| <p>24. If the schedules of funding progress and of employer contributions and related note disclosures are presented for a postemployment healthcare plan, do they include all the information that is required for defined benefit pension plans, presented either in separate healthcare schedules or in separate columns of combining pension and healthcare schedules? (See Questions 19–23.)<br/>[GASB 26, par. 8 (GASB Cod. Sec. Po50.106)]</p> <p>a. Does the RSI also disclose the methods and assumptions used for both schedules?</p> <p>b. Does the RSI also disclose the healthcare inflation assumption for the most recent year reported in the schedules?<br/>[GASB 26, par. 9 (GASB Cod. Sec. Po50.107)]</p> | <p>_____</p> <p>_____</p> <p>_____</p> | <p>_____</p> <p>_____</p> <p>_____</p> | <p>_____</p> <p>_____</p> <p>_____</p> |
| <p>25. Are the schedules presented immediately after the notes to the financial statements?<br/>[GASB 25, par. 33 (GASB Cod. Sec. Pe5.125); GASB 26, par. 8 (GASB Cod. Sec. Po50.106)]</p>   | <p>_____</p>                           | <p>_____</p>                           | <p>_____</p>                           |

**I. Employee Benefit Plans (Including Pension Plans and Postemployment Healthcare Plans)—Sponsor and Employer Reporting †**

**Practice Tips**

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

[GASB 25, par. 13, as amended by GASB 34, par. 106 (GASB Cod. Sec. Pe5.105); GASB 26, par. 4, as amended by GASB 34, par. 106 (GASB Cod. Sec. Po50.102)]

*(continued)*

† See footnote † on page 13,120.

Yes   No   N/A

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

When GASB 25 and GASB 27 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. Similarly, when a defined benefit pension plan that administers a postemployment healthcare plan is included in the employer’s financial report as a pension or other employee benefit trust fund, the employer may combine the postemployment healthcare disclosures required for the fund and the employer’s expenditures or expense, or both, in a manner that avoids unnecessary duplication. (See the subsections on pensions—employer reporting and postemployment benefits other than pensions—employer reporting of this section of this checklist.)

[GASB 26, fn. 3, as amended by GASB 34, par. 70 (GASB Cod. Sec. Po50, fn. 3); GASB 27, fns. 15 and 19 (GASB Cod. Sec. P20, fns. 16 and 19)]

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

*Note:* See Appendix B of FSP section 13,100 for GASB 50 amendments to the RSI and note disclosure requirements to GASB 27, effective for financial statements prepared for periods beginning after June 15, 2007.

*Overview*

- |   |              |              |              |
|---|--------------|--------------|--------------|
| <p>1. Are employee benefit plans, including those that are fiduciary component units, reported in the entity’s financial statements as pension (and other employee benefit) trust funds?<br/>[GASB 25, fn. 2 (GASB Cod. Sec. Pe6, fn. 2); GASB 25, par. 13, as amended by GASB 34, par. 106 (GASB Cod. Sec. Pe5.105); GASB 26, par. 4, as amended by GASB 34, par. 106 (GASB Cod. Sec. Po50.102); GASB 34, par. 70 (GASB Cod. Sec. 1300.111)]</p> | <p>_____</p> | <p>_____</p> | <p>_____</p> |
| <p>2. Is each plan considered a separate fund?<br/>[GASB 25, pars. 15 and 17 (GASB Cod. Sec. Pe5.107 and .109); GASB 26, par. 7 (GASB Cod. Sec. Po50.105); Generally Accepted]</p>  | <p>_____</p> | <p>_____</p> | <p>_____</p> |
| <p>3. Are financial statements for individual pension plans and postemployment healthcare plans presented in the notes to the financial statements if the plans have not issued separate, GAAP financial reports?</p>   | <p>_____</p> | <p>_____</p> | <p>_____</p> |
| <p>    <i>a.</i> If the pension plans or postemployment healthcare plans have issued separate, GAAP financial reports, do the notes instead include information about how to obtain those separate reports?<br/>[GASB 34, par. 106 (GASB Cod. Secs. 2200.172, Pe5.109, and Po50, fn. 4)]</p>  | <p>_____</p> | <p>_____</p> | <p>_____</p> |

*Statement of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets*

4. Do the financial statements meet the GASB standards for the display of pension (and other employee benefit) trust funds? (See Questions 4–13 in the subsection on employee benefit plans (including pension

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
plans and postemployment healthcare plans)—stand-alone plan reporting in this section of this checklist.) [GASB 34, pars. 108–109 (GASB Cod. Sec. 2200.173–.174)]	_____	_____	_____
5. If the financial statements include both defined benefit pension plans and postemployment healthcare plans, do the combined statements of fiduciary net assets and changes in fiduciary net assets subdivide net assets and the net increase or decrease for the year between those for the pension plans and those for the postemployment healthcare plans? [GASB 26, fn. 4, as amended by GASB 34, par. 70 (GASB Cod. Sec. Po50, fn. 4)]	_____	_____	_____

**Note Disclosures**

6. Are required note disclosures made for defined benefit pension plans? See Questions 14a, 14c(1), 15, and 17 in the subsection on employee benefit plans (including pension plans and postemployment healthcare plans)—stand-alone plan reporting in this section of this checklist. (If the plan’s financial statements are presented in both the employer’s report and a publicly available GAAP financial report, and the employer discloses information about how to obtain the stand-alone plan financial report, the employer may limit its disclosures to those listed in Questions 14a, 14b(1), 15c, 15g, and 17.) [GASB 25, par. 32 and GASB 40, par. 12 (GASB Cod. Sec. Pe5.124)]	_____	_____	_____
7. Are required note disclosures made for defined contribution pension plans? See Questions 14b, 14c(2), 17, and 18 in the subsection on employee benefit plans (including pension plans and postemployment healthcare plans)—stand-alone plan reporting in this section of this checklist. (If the plan’s financial statements are presented in both the employer’s report and a publicly available GAAP financial report, and the employer discloses information about how to obtain the stand-alone plan financial report, the employer may limit its disclosures to those listed in Questions 14b, 14c(2), 17, and 18a.) [GASB 25, par. 41 (GASB Cod. Sec. Pe6.104)]	_____	_____	_____
8. Are required note disclosures made for postemployment healthcare plans? See Questions 14a, 14c(1), 15, 16, and 17 in the subsection on employee benefit plans (including pension plans and postemployment healthcare plans)—stand-alone plan reporting in this section of this checklist. (If the plan’s financial statements are presented in both the employer’s report and a publicly available GAAP financial report, and the employer discloses information about how to obtain the stand-alone plan financial report, the employer may limit its disclosures to those listed in Questions 14a, 14b(1), 15c, 15g, 16, and 17.) [GASB 26, par. 7 (GASB Cod. Sec. Po50.105)]	_____	_____	_____

**Required Supplementary Information for Defined Benefit Pension Plans**

9. For each plan, are schedules of funding progress and employer contributions and notes to RSI included as RSI in the employer’s financial report unless (a) the required schedules are included with the plan’s financial statements in a publicly available, stand-alone plan financial report and (b) the employer discloses in its notes to the financial statements information about how to obtain the stand-alone plan financial report? (The requirements for these schedules and notes are

- |  | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|--|------------|-----------|------------|
| listed in Questions 19–23 in the subsection on employee benefit plans (including pension plans and postemployment healthcare plans)—stand-alone plan reporting in this section of this checklist.)   | _____      | _____     | _____      |
| 10. For each single employer plan for which (a) the required schedules are included with the plan’s financial statements in a publicly available, stand-alone plan financial report and (b) the employer discloses in its notes to the financial statements information about how to obtain the stand-alone plan financial report, is a schedule of funding progress and notes to RSI presented for the three most recent actuarial valuations? (The requirements for this schedule and notes are listed in Questions 19–20 and 23 in the subsection on employee benefit plans (including pension plans and postemployment healthcare plans)—stand-alone plan reporting in this section of this checklist.)<br>[GASB 25, pars. 33–34 (GASB Cod. Sec. Pe5.125–126)] | _____      | _____     | _____      |

***Required Supplementary Information for Postemployment Healthcare Plans***

- |   |       |       |       |
|---|-------|-------|-------|
| 11. If the financial report presents RSI for these plans, do the schedules and notes meet the presentation requirements as listed in Questions 24–25 in the subsection on employee benefit plans (including pension plans and postemployment healthcare plans)—stand-alone plan reporting in this section of this checklist?<br>[GASB 26, pars. 8–9 (GASB Cod. Sec. Po50.106 and .107)] | _____ | _____ | _____ |
|---|-------|-------|-------|

**J. 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 multiple-employer (cost-sharing), or insured plans. GASB 27 defines the types of plans.

Some governments are legally responsible for contributions to pension plans that cover the employees of another entity. In those cases, the entity that is legally responsible for the contributions should comply with all applicable provisions of GASB 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. (See the subsection on employee benefit plans (including pension plans and postemployment healthcare plans)—sponsor and employer reporting in this section of this checklist.)  
[GASB 27, fns. 15 and 19 (GASB Cod. Sec. P20, fns. 16 and 19)]

*Note:* See Appendix B of FSP section 13,100 for GASB 50 amendments to the RSI and note disclosure requirements to GASB 27, effective for financial statements prepared for periods beginning after June 15, 2007.

***Assets and Liabilities***

- |  |       |       |       |
|--|-------|-------|-------|
| 1. Are pension liabilities and assets to different plans not offset in the financial statements?<br>[GASB 27, pars. 17, 19, and 25 (GASB Cod. Sec. P20.114, .116, and .121)] | _____ | _____ | _____ |
|--|-------|-------|-------|

	<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:			
<i>a.</i> 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?	_____	_____	_____
<i>b.</i> 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>
(i) If the plan is a sole or agent plan and the rate differs significantly from the annual required contribution (ARC), how the rate is determined (for example, by statute or contract, or the plan is financed on a pay-as-you-go basis)?	_____	_____	_____
(ii) If the plan is a cost-sharing plan, the required contributions in dollars and the percentage of that amount contributed for the current year and each of the two preceding years? [GASB 27, par. 20 (GASB Cod. Sec. P20.117)]	_____	_____	_____
c. Additionally, for sole and agent plans:			
(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:			
(i) The actuarial cost method?	_____	_____	_____
(ii) The method(s) used to determine the actuarial value of assets?	_____	_____	_____
(iii) The assumptions with respect to the inflation rate, investment return, projected salary increases, and postretirement benefit increases?	_____	_____	_____
(iv) The amortization method (level dollar or level percentage of projected payroll)?	_____	_____	_____
(v) 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?	_____	_____	_____
(vi) 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 Plans<sup>29</sup>**

7. Do the notes to the financial statements disclose:

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

\_\_\_\_\_

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<sup>29</sup> An insured plan is a pension financing arrangement whereby an employer accumulates funds with an insurance company, while employees are in active service, in return for which the insurance company unconditionally undertakes a legal obligation to pay the pension benefits of those employees or their beneficiaries, as defined in the employer’s plan. [GASB 27, par. 23 (GASB Cod. Sec. P20.120)]

- |  | <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 or expense, or both, and contributions or premiums paid?<br>[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?<br>[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 subsection on employee benefit plans (including pension plans and postemployment healthcare plans)—sponsor and employer reporting in this section of this checklist.

*Note:* See Appendix B of FSP section 13,100 for GASB 50 amendments to the RSI and note disclosure requirements to GASB 27, effective for financial statements prepared for periods beginning after June 15, 2007.

- |  |       |       |       |
|--|-------|-------|-------|
| 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?  | _____ | _____ | _____ |



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

**K. Postemployment Benefits Other Than Pensions—Employer Reporting\*\***

**Practice Tip**

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.<sup>30</sup>  
[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, *Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers* (as provided in Question 2 below)? \_\_\_\_\_
  - b. Disclosed the healthcare inflation assumption? \_\_\_\_\_

\*\* GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, supersedes or amends all previous authoritative guidance on accounting and financial reporting for an employer’s OPEB expense or expenditures, or both, and related information. Most notably, it supersedes GASB 12, *Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers*, which provides note disclosures for OPEB, and paragraph 24 of GASB 27, *Accounting for Pensions by State and Local Governmental Employers*, which permits governments to apply the provisions of GASB 27 to postemployment healthcare benefits. The provisions of GASB 45 are effective in three phases starting in periods beginning after December 15, 2006, based on the entity’s implementation phase for purposes of applying GASB 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*. See the further discussion and questions about GASB 45 in Appendix B of FSP section 13,100.

<sup>30</sup> 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>
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 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 or expense, or both, 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:			
(i) The amount of OPEB expenditures or expenses, or both, recognized during the period by the employer (net of participant contributions)?	_____	_____	_____
(ii) The number of participants currently eligible to receive benefits?	_____	_____	_____
(iii) If expenditures or expenses, or both, for OPEB cannot readily be separated from expenditures or expenses, or both, 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 or expenses, or both, cannot be reasonably estimated?	_____	_____	_____
(iv) The amount of net assets available for future benefit payments?	_____	_____	_____
(2) If OPEB are advance-funded on an actuarially determined basis:			
(i) The number of active plan participants?	_____	_____	_____
(ii) The employer’s actuarially required and actual contributions for the period (net of participant contributions)?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(iii) The amount of net assets available for future benefit payments?	_____	_____	_____
(iv) 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)]	_____	_____	_____

**L. Pollution Remediation Obligations**—See Appendix B of FSP section 13,100 for checklist questions related to GASB 49, *Accounting and Reporting for Pollution Remediation Obligations*, effective for financial statements for periods beginning after December 15, 2007.

**M. Public Entity Risk Pools**

**Practice Tip**

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

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

**Basic Financial Statements**

1. Does the public entity risk pool account for its activities in an enterprise fund, regardless of whether there is a transfer or pooling of risk? [GASB 10, par. 18 (GASB Cod. Sec. Po20.115)]	_____	_____	_____
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. 6–7, as amended (GASB Cod. Sec. Po20.115)]	_____	_____	_____
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)]	_____	_____	_____
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			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
specific future use or if it is legally restricted for that specific use by an organization or individual outside the entity? <sup>31</sup> [GASB 10, par. 21 (GASB Cod. Sec. Po20.118)]	_____	_____	_____
5. If the pool purchases annuity contracts in the claimant’s name to satisfy a claim liability, and the likelihood that the pool will be required to make future payments on the claim is remote, are the contracts not reported in, and the related liability removed from, the pool’s statement of net assets? [GASB 10, par. 26 (GASB Cod. Sec. Po20.123)]	_____	_____	_____
6. If no accrual is made for an insured event, or if an exposure to loss exists in excess of the accrual, is a loss contingency disclosed if there is at least a reasonable possibility that a loss or an additional loss may have been incurred?	_____	_____	_____
a. Does the disclosure indicate the nature of the contingency and give an estimate of the possible loss or range of loss or state that such an estimate cannot be made?	_____	_____	_____
b. If it is considered probable that a claim will be asserted and there is a reasonable possibility that the outcome will be unfavorable, is disclosure of the possible claim made? [GASB 10, par. 27 (GASB Cod. Sec. Po20.124)]	_____	_____	_____
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?	_____	_____	_____

<sup>31</sup> This question and the remaining questions in this subsection do not apply to a public entity risk pool that does not involve any transfer or pooling of risk among pool participants. In those situations, the pool is acting as a claims servicer, not as an insurer. Instead, the activity statement of this type of pool should report claims-servicing revenue and administrative costs. Amounts collected or due from pool participants, including capitalization contributions, and paid or to be paid to settle claims should be netted and reported as an asset or a liability, as appropriate. [GASB 10, par. 51, and GASBI 4, par. 13 (GASB Cod. Sec. Po20.149)]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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)]	_____	_____	_____
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. 11–12 (GASB Cod. Sec. Po20.138–.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. Section I50? [GASB Cod. Sec. Po20.140]	_____	_____	_____
b. Is the amortization of purchased premiums or discounts on mortgage loans, and other related charges or credits, charged or credited to investment income?	_____	_____	_____
c. Are changes in the allowance for estimated uncollectible amounts relating to mortgage loans included in realized gains and losses? [GASB 10, par. 42 (GASB Cod. Sec. Po20.141)]	_____	_____	_____
d. Is depreciation and other related charges or credits on real estate investments charged or credited to investment income?	_____	_____	_____
e. Are changes in the allowance for any impairment in value relating to real estate investments included in realized gains and losses? [GASB 10, par. 43 (GASB Cod. Sec. Po20.142)]	_____	_____	_____
f. Are other-than-temporary declines in the fair value of other investments below their carrying amounts reported as a realized loss and a reduction of the carrying amount of the investment? [GASB 10, par. 44, as amended by GASB 31, par. 6 (GASB Cod. Sec. Po20.143)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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—an amendment of FASB Statements No. 13, 60, and 65 and a rescission of FASB Statement No. 17?</i> [GASB 10, par. 45 (GASB Cod. Sec. Po20.144)]	_____	_____	_____
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)]	_____	_____	_____
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)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p><i>h.</i> 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)]</p>	_____	_____	_____
<p><i>i.</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:</p> <p>(1) Amount of liabilities for unpaid claims and claim adjustment expenses at the beginning of each fiscal year?</p> <p>(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?</p> <p>(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?</p> <p>(4) Other items, with an explanation of each material item?</p> <p>(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)]</p>	_____	_____	_____
<p><i>j.</i> 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)]</p>	_____	_____	_____

***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)]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
23. Is the following claims development information presented as RSI:			
<i>a.</i> 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 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?	_____	_____	_____
<i>b.</i> A table that reconciles claims liabilities by type of contract, including an analysis of changes in liabilities for claims and claim adjustment expenses for the current fiscal year and the prior year, in the same tabular format required by Question 22 <i>i</i> ? [GASB 30, par. 7 (GASB Cod. Sec. Po20.148)]	_____	_____	_____

**N. Risk Financing and Related Financing Issues—Entities Other Than Risk Pools<sup>32</sup>**

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

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<sup>32</sup> The practice tip in the subsection on public entity risk pools in this section of this checklist discusses how an entity that provides insurance or risk management coverage to individuals or organizations outside the governmental reporting entity should report that activity.



	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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? <sup>33</sup> [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 or expenses, or both, 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. Section C50.110–.114, are the excess amounts reported as transfers? [GASB 10, par. 64, as amended by GASB 34, par. 112 (GASB Cod. Sec. C50.126)]	_____	_____	_____
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. Section C50.128 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. Section C50.128 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, par. 67, as amended by GASB 34, par. 98 (GASB Cod. Sec. C50.129); GASB 10, par. 68, as amended by GASB 34, par. 112 (GASB Cod. Sec. C50.130)]	_____	_____	_____

<sup>33</sup> Stand-alone entities that engage only in business-type activities or fiduciary activities and that are not considered to be a part of another financial reporting entity should not use an internal service fund to report their own risk-financing activities. [GASB 10, fn. 12, as amended by GASB 14, par. 66 and GASB 34, pars. 138–139 (GASB Cod. Sec. C50, fn. 8)]

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

*Participation in Risk Pools*

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. C50.132 and .133) in the government-wide and fund financial statements as insurance expenditures or expenses?	_____	_____	_____
b. Does the entity disclose assessment and obligation amounts that are probable but not reasonably estimable as well as those that are reasonably possible? [GASB 10, par. 69, as amended by GASB 34, par. 6 (GASB Cod. Sec. C50.132); GASB 10, par. 70 (GASB Cod. Sec. C50.133)]	_____	_____	_____
c. Are capitalization contributions reported as a deposit if it is probable that the contribution will be returned to the entity upon either the dissolution of or the approved withdrawal from the pool?	_____	_____	_____
(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. C50.134)]	_____	_____	_____
d. If it is not probable that a capitalization contribution will be returned:			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(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 appropriate 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. C50.135 and .137–.138); GASBI 4, par. 6, as amended by GASB 34, par. 6 (GASB Cod. Sec. C50.136)]	_____	_____	_____
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. C50.139)]	_____	_____	_____

***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. C50.141)]	_____	_____	_____
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:			
a. The fact that it is insured under a retrospectively rated insurance policy?	_____	_____	_____
b. That premiums are accrued based on the ultimate cost of the experience to date of a group of entities?	_____	_____	_____
c. A contingency if it cannot estimate losses from reported and unreported claims? [GASB 10, par. 74 (GASB Cod. Sec. C50.142)]	_____	_____	_____

***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)?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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. C50.145 and .148)]	_____	_____	_____
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:			
(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. C50.145)]	_____	_____	_____
<b>O. Sales and Pledges of Receivables and Future Revenues</b> —See Appendix B of FSP section 13,100 for checklist questions related to GASB 48, <i>Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues</i> , effective for financial statements for periods beginning after December 15, 2006.			
<b>P. Special Assessments</b>			
1. Are the transactions of a service-type special assessment reported in the fund type that best reflects the nature of the transactions (usually			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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)]	_____	_____	_____
<i>a.</i> In the government-wide financial statements, are service-type special assessment revenues reported as charges for services, a program revenue? [GASB 37, par. 13 (GASB Cod. Sec. 2200.134)]	_____	_____	_____
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 is not obligated in any manner not displayed in the government’s financial statements? (However, if the government is liable for a portion of that debt—the public benefit portion, or as a property owner—that portion should be reported like other general long-term liabilities.) [GASB 6, par. 17 (GASB Cod. Sec. S40.116c)]	_____	_____	_____
<i>a.</i> Are the debt service transactions for this special assessment debt reported in an agency fund? [GASB 6, par. 19 (GASB Cod. Secs. 1300.107 and S40.119)]	_____	_____	_____
<i>b.</i> Is the construction phase reported in a capital projects or other appropriate fund, with the source of funds identified by a description other than “bond proceeds,” such as “contribution from property owners”? [GASB 6, par. 19 (GASB Cod. Secs. 1800.108 and S40.119)]	_____	_____	_____
<i>c.</i> Are the capital assets constructed or acquired reported only as general capital assets in the governmental activities column in the government-wide statement of net assets? [GASB 6, par. 19, as amended by GASB 34, par. 80 (GASB Cod. Sec. S40.119)]	_____	_____	_____
<i>d.</i> Is the “contribution” of the capital assets reported as program revenue with other grants or contributions restricted for capital purposes in the government-wide statement of activities? [GASB 6, par. 19, as amended by GASB 34, pars. 16 and 50 (GASB Cod. Sec. S40.125)]	_____	_____	_____
<i>e.</i> Do the notes to the financial statements disclose the amount of the debt and the fact that the government is in no way liable for repayment but is only acting as agent for the property owners? [GASB 6, par. 21 (GASB Cod. Sec. S40.127)]	_____	_____	_____
4. For special assessment debt for which the government is obligated in some manner:			
<i>a.</i> And that debt is not 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?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(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)]	_____	_____	_____
(i) 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))]	_____	_____	_____
(ii) 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 is 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)]	_____	_____	_____
(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)]	_____	_____	_____

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

**Q. Termination Benefits**—See Appendix B of FSP section 13,100 for checklist questions related to GASB 47, *Accounting for Termination Benefits*, effective for financial statements for periods beginning after June 15, 2005, except for benefits that affect employer’s obligations for defined benefit OPEB which should be applied simultaneously with the requirements of GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

**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:			
<i>a.</i> Discuss the current-year results in comparison with the prior year, with emphasis on the current year? <sup>34</sup>	_____	_____	_____
<i>b.</i> Discuss the positive and negative aspects of the comparison with the prior year? [GASB 34, par. 9 (GASB Cod. Sec. 2200.107)]	_____	_____	_____
<i>c.</i> Focus on the primary government and distinguish between information pertaining to the primary government and that of its component units?	_____	_____	_____
<i>d.</i> Discuss matters related to a component unit based on the individual component unit's significance to the total of all discretely presented component units and that component unit's relationship with the primary government?	_____	_____	_____
<i>e.</i> Refer readers to the component unit's separately issued financial statements, when appropriate? [GASB 34, par. 10 (GASB Cod. Sec. 2200.108)]	_____	_____	_____
3. Does the MD&A include the following topics, if relevant:			
<i>a.</i> A brief discussion of the basic financial statements, including the relationships of the statements to each other, and the significant differences in the information they provide? (This discussion should include analyses that assist readers in understanding why measurements and results reported in fund financial statements either reinforce information in government-wide statements or provide additional information.)	_____	_____	_____
<i>b.</i> Condensed financial information derived from government-wide financial statements comparing the current year to the prior year, including:			
(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?	_____	_____	_____

<sup>34</sup> If a government is presenting comparative prior-year financial statements, the MD&A should address both years presented in the comparative financial statements and include comparative condensed financial information and related analysis for both years. That is, the MD&A should discuss both (a) the current-year results in comparison with the prior year and (b) the prior-year results in comparison with the second prior year. Completely separate MD&As are not required. [Q&A, item 7.14; AAG-SLV, par. 14.57]



	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(12) Transfers?	_____	_____	_____
(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. Section 2300.111–.115 and refer to it for additional details.)	_____	_____	_____
g. A discussion by governments that use the modified approach to report some or all of their infrastructure assets, including:			
(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 or preserve, or both, eligible infrastructure assets compared with the actual amounts spent during the current period?	_____	_____	_____
h. A description of currently known (as of the date of the auditor’s report) facts, decisions, or conditions that are expected to have a significant effect on financial position or results of operations? [GASB 34, par. 11 and 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?<br/>[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?<br/>[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?<br/>[AAG-SLV, pars. 11.16 and 14.57]</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?<br/>[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?<br/>[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</p>  | <p>_____</p>                           | <p>_____</p>                           | <p>_____</p>                           |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
to RSI, the presentation of required budgetary comparison information in RSI may be made at a level that aggregates budgetary accounts through revenue source and expenditure function or program.) [NCGAI 10, par. 14, as amended by GASB 34 (GASB Cod. Sec. 2400.121); AAG-SLV, 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: <sup>35</sup>			
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. 12)]	_____	_____	_____
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?	_____	_____	_____

<sup>35</sup> The three most recent complete condition assessments and the estimated and actual amounts to maintain and preserve the infrastructure assets for the previous five reporting periods may not be available initially. In these cases, the required information should be presented for as many complete condition assessments and years of estimated and actual expenses as are available. [GASB 34, par. 153 (GASB Cod. Sec. 1400.130)]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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 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) and Postemployment Healthcare Plans**

See the subsections on employee benefit plans (including pension plans and postemployment healthcare plans)—stand-alone plan reporting and employee benefit plans (including pension plans and postemployment healthcare plans)—sponsor and employer reporting in the section of this checklist titled “Specialized Topics.”

Also see Appendix B of FSP section 13,100 for amended RSI requirements of GASB 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*.

**E. Pensions—Employer Reporting**

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

Also see Appendix B of FSP section 13,100 for amended RSI requirements of GASB 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*.

**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 May 2005, 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](http://www.gasb.org), which is periodically updated for new FASB pronouncements. Check the GASB Internet site for

updated information about the applicability of FASB pronouncements issued after May 2005 as well as for any changes to the following guidance.

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

<b>FASB Statements</b>	<b>Apply?</b>
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 paragraph 74 of GASB 9.
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 Postemployment 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 <sup>36</sup> —Apply GASB 33.

(continued)

<sup>36</sup> GASB 29, *The Use of Not-for-Profit Accounting and Financial Reporting Principles by Governmental Entities*, as amended by GASB 34, 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, *Financial Statements of Not-for-Profit Organizations*, and SFAS 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*, or address issues concerning primarily such organizations, such as SFAS 116, *Accounting for Contributions Received and Contributions Made*.

FASB Statements	Apply?
SFAS 117, <i>Financial Statements of Not-for-Profit Organizations</i>	No. <sup>37</sup>
SFAS 118, <i>Accounting by 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.
SFAS 121, <i>Accounting for the 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>	No—Superseded by SFAS 123 (revised 2004).
SFAS 123 (revised 2004), <i>Share-Based Payment</i>	Not applicable to governments.
SFAS 124, <i>Accounting for Certain Investments Held by Not-for-Profit Organizations</i>	No. <sup>38</sup>
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 Nonpublic Entities—an amendment to 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 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 government.
SFAS 129, <i>Disclosure of Information about Capital Structure</i>	Yes—Paragraph 4 applies to debt issued.
SFAS 130, <i>Reporting Comprehensive Income</i>	No—Separately reporting <i>other comprehensive</i> income conflicts with the reporting requirements of GASB 34.
SFAS 131, <i>Disclosures about Segments of an Enterprise and Related Information</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 (revised 2003).
SFAS 132 (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.

<sup>37</sup> See footnote 36.

<sup>38</sup> See footnote 36.

FASB Statements	Apply?
SFAS 133, <i>Accounting for Derivative Instruments and Hedging Activities</i> (amended by SFAS 155)	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 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. 42]).
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 that do not conflict with GASB standards 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. <sup>39</sup>
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> (amended by SFAS 155 and SFAS 156)	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

(continued)

<sup>39</sup> See footnote 36.

FASB Statements	Apply?
	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 for OPEB liabilities). SFAS 141 applies only to <i>business</i> 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 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 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 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–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 6–8), as amended. (Accounting for termination benefits should follow GASB 47, when effective.) 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



<b>FASB Statements</b>	<b>Apply?</b>
	governmental enterprises have similar characteristics. Apply GASB 42 to impairment of tangible capital assets.
SFAS 148, <i>Accounting for Stock-Based Compensation—Transition 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.
SFAS 150, <i>Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity</i>	Yes.
SFAS 151, <i>Inventory Costs—an amendment of ARB No. 43, Chapter 4</i>	Yes.
SFAS 152, <i>Accounting for Real Estate Time-Sharing Transactions—an amendment of FASB Statements No. 66 and 67</i>	Not applicable to governments.
SFAS 153, <i>Exchanges of Nonmonetary Assets—an amendment of APB Opinion No. 29</i>	In Part—SFAS 153 includes amendments to, or related to, other FASB pronouncements listed in this appendix. Those amendments are applicable only to the extent that the related FASB pronouncement is applicable, as provided in this appendix.
SFAS 154, <i>Accounting Changes and Error Corrections</i>	No.
SFAS 155, <i>Accounting for Certain Hybrid Financial Instruments—an amendment of FASB Statements No. 133 and 140</i>	In Part—see discussion above of applicability of SFAS 133 and 140.
SFAS 156, <i>Accounting for Servicing of Financial Assets—an amendment of FASB Statement No. 140</i>	In Part—see discussion above of applicability of SFAS 140.
SFAS 157, <i>Fair Value Measurements</i>	In Part—to the extent that the framework described in SFAS 157 does not conflict with GASB 31.
SFAS 158, <i>Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132R</i>	No—Apply GASB 27 and GASB 45.
SFAS 159, <i>The Fair Value Option for Financial Assets and Liabilities, Including an Amendment to FASB Statement 115</i>	In Part—to the extent the fair value provisions described in SFAS 159 do not conflict with GASB 31.

<b>FASB Interpretations</b>	<b>Apply?</b>
FIN 39, <i>Offsetting of Amounts Related to Certain Contracts</i>	Yes. <sup>40</sup>
FIN 40, <i>Applicability of Generally Accepted Accounting Principles to Mutual Life Insurance and Other Enterprises</i>	Yes.

(continued)

<sup>40</sup> 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*.

FASB Interpretations	Apply?
FIN 41, <i>Offsetting of Amounts Related to Certain Repurchase and Reverse Repurchase Agreements</i>	No—Provisions of GASB 3, paragraph 81, apply.
FIN 42, <i>Accounting for Transfers of Assets in Which a Not-for-Profit Organization Is Granted Variance Power</i>	No. <sup>41</sup>
FIN 43, <i>Real Estate Sales</i>	Yes.
FIN 44, <i>Accounting for Certain Transactions involving Stock Compensation</i>	Not applicable to government.
FIN 45, <i>Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others</i>	No—Provisions of NCGA 4, paragraphs 9 and 14, as amended by GASB 10 and 34, paragraph 69, apply.
FIN 46, <i>Consolidation of Variable Interest Entities</i>	No—Superseded by FIN 46 (revised 2003).
FIN 46 (revised 2003), <i>Consolidation of Variable Interest Entities</i>	No—Provisions of GASB 14, paragraph 81, apply.
FIN 47, <i>Accounting for Conditional Asset Retirement Obligations—an interpretation of FASB Statement No. 143</i>	No—Provisions of NCGA 4, paragraphs 9 and 14, as amended by GASB 10 and GASB 34, paragraph 69, apply.
FIN 48, <i>Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109</i>	No.

FASB Technical Bulletins <sup>42</sup>	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 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*

<sup>41</sup> See footnote 36.

<sup>42</sup> 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.

- SOP 93-7, *Reporting on Advertising Costs*
- 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 *Property and Liability Insurance Companies and Health Care Organizations*, 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 reviewed by the GASB and include governmental entities in their scope. For this reason, these guides constitute level b guidance in the hierarchy of GAAP 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 [GASB Cod. Sec. 1600, fn. 3] codifies this approach historically used in GASB statements.

## Appendix B: Checklist Questions for Application of GASB 43, GASB 45, GASB 47, GASB 48, GASB 49, and GASB 50

### 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, whether provided separately or through a defined benefit pension plan, and (b) other types of postemployment benefits (for example, life insurance) if provided separately from a pension plan. GASB 43 states that 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, pars. 1 and 6]

GASB 43 establishes standards for OPEB plans that are administered as trusts or equivalent arrangements, through which assets are accumulated and benefits are paid as they come due in accordance with an agreement between the employer(s) and plan members and their beneficiaries (the substantive plan), 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. It establishes different standards for funds that are used to accumulate assets and to pay benefits in a multiple-employer OPEB plan that do not meet those criteria. The provisions of GASB 43 do not apply to assets that an employer earmarks for OPEB purposes within its governmental or proprietary funds by designation of fund balance(s) or net assets or to assets that an employer transfers to and accumulates in a separate governmental or proprietary fund for that purpose.  
[GASB 43, pars. 4–5]

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 applies whether the plan is a single-employer, agent multiple-employer, or cost-sharing multiple-employer plan and regardless of how or when OPEB provided by the plan is financed. The requirements apply whether (a) the plan’s financial statements are included in a separate financial report issued by the plan or by the public employee retirement system (PERS) or other entity that administers the plan (stand-alone plan financial report) or (b) the plan is included as a trust or agency fund or a 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 43, par. 8]

GASB 43 supersedes GASB 26 and amends various other GAAP requirements, primarily those relating to the financial reporting for OPEB plans. The provisions of GASB 43 are effective (a) 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 and (b) one year prior to the effective date of GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Specifically:

If the sole or largest participating employer’s GASB 34 phase was	The plan should apply GASB 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.  
[GASB 43, par. 43]

The disclosures in this appendix should be included in or accompany an entity’s basic financial statements if the entity is required to or does implement GASB 43. Note that the disclosure requirements below are not included in the June 30, 2004, *GASB Codification*. Appendix F of GASB 43 provides instructions for codifying the pronouncement’s standards.

Yes      No      N/A

***Defined Benefit OPEB Plans—Stand-Alone Plan Reporting Overview***

1. If the entity administers the plan as a trust or equivalent arrangement as provided in GASB 43, paragraph 4, do the basic financial statements consist of a statement of plan net assets and a statement of changes in plan net assets?  
[GASB 43, par. 17]

\_\_\_\_\_

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
2. Are multiple-employer OPEB plans that the entity administers, but not as a trust or equivalent arrangement as provided in GASB 43, paragraph 4, reported as agency funds? [GASB 43, pars. 5 and 41]	_____	_____	_____
3. If the financial report includes more than one defined benefit OPEB plan, does it present combining financial statements for all plans administered? (An entity should meet this requirement by (a) presenting a separate column in its basic financial statements for each plan administered or (b) presenting combining statements for those plans as part of the basic financial statements. If the entity administers one or more agent multiple-employer plans, the display requirements apply at the aggregate plan level for each plan administered. The entity is not required to include financial statements and schedules for the individual plans of the participating employers.) [GASB 34, par. 140, as amended by GASB 43, par. 11; GASB 43, par. 13]	_____	_____	_____

**Statement of Plan Net Assets**

4. Are plan assets subdivided into:			
a. The major categories of assets held, for example, cash and cash equivalents, receivables, investments, and assets used in plan operations?	_____	_____	_____
b. The principal components of the receivables and investment categories? [GASB 43, par. 19]	_____	_____	_____
5. Do plan assets exclude allocated insurance contracts? [GASB 43, par. 22]	_____	_____	_____
6. Do plan liabilities exclude benefits payable from contracts that are excluded from plan assets and for which payments to the insurance company have been made? [GASB 43, par. 24]	_____	_____	_____
7. For plans that are reported as agency funds, are assets accumulated in excess of liabilities to pay premiums or benefits, or for investment or administrative expenses, offset by liabilities to participating employers? (That is, no plan net assets should be reported.) [GASB 43, par. 41]	_____	_____	_____
8. For OPEB plans that are administered as trust or equivalent arrangements as provided in GASB 43, paragraph 4, is the difference between total plan assets and total plan liabilities at the reporting date captioned <i>net assets held in trust for OPEB</i> ? [GASB 43, par. 25]	_____	_____	_____

**Statement of Changes in Plan Net Assets**

9. Is the information in the statement presented in two principal sections—additions and deductions?	_____	_____	_____
10. Is the difference between total additions and deductions reported as the net increase (or decrease) for the year in plan net assets? [GASB 43, par. 26]	_____	_____	_____
11. Does the additions section of the statement include the information in these four categories as applicable, separately displayed:			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. Contributions from the employers?	_____	_____	_____
b. Contributions from plan members, including those transmitted by the employers?	_____	_____	_____
c. Contributions from sources other than the employers and plan members (for example, state government contributions to a local government plan)? [GASB 43, par. 27]	_____	_____	_____
d. Net investment income, including:			
(1) The following two components either separately displayed or combined and reported as one amount: [GASB 43, par. 27, fn. 7]			
(i) The net appreciation (depreciation) in the fair value of plan investments? (The net appreciation (depreciation) in the fair value of investments should include realized gains and losses on investments that were both bought and sold during the year. Realized and unrealized gains and losses should not be separately displayed in the financial statements.) [GASB 43, par. 27 and fn. 6]	_____	_____	_____
(ii) Interest income, dividend income, and other income? (Consistent with reporting investments at their fair value, interest income should be reported at the stated interest rate; any premiums or discounts on debt securities should not be amortized.) [GASB 43, par. 27 and fn. 7]	_____	_____	_____
(2) Total investment expense, separately displayed, including investment management and custodial fees and all other significant investment-related costs? [GASB 43, par. 27]	_____	_____	_____
12. Does the deductions section separately display:			
a. Benefits and refunds paid to plan members and beneficiaries? (Benefits paid should not include payments made by an insurance company in accordance with a contract that is excluded from plan assets. However, amounts paid by the plan to an insurance company pursuant to such a contract, including purchases of annuities with amounts allocated from existing investments with the insurance company, should be included in benefits paid. The amounts reported may be net of the plan's dividend income for the year on excluded contracts.) [GASB 43, pars. 28-29]	_____	_____	_____
b. Total administrative expense? [GASB 43, par. 28]	_____	_____	_____
<i>Note Disclosures</i>			
13. Does the summary of significant accounting policies (SSAP):			
a. Describe the recognition policies for contributions, benefits paid, and refunds paid?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>b.</i> Briefly describe how the fair value of investments is determined, including the methods and significant assumptions used to estimate the fair value of investments if that fair value is based on other than quoted market prices?	_____	_____	_____
14. For all OPEB plans (both those that are administered as trusts or equivalent arrangements and those that are reported as agency funds), do the notes to the financial statements:			
<i>a.</i> Identify the nature of the plan (for example, as a single-employer, agent multiple-employer, or cost-sharing multiple-employer defined benefit OPEB plan) and disclose the number of participating employers and other contributing entities?	_____	_____	_____
<i>b.</i> Disclose the classes of employees covered (for example, general employees and public safety employees) and the current membership, including the number of retirees and beneficiaries currently receiving benefits, terminated members entitled to but not yet receiving benefits, and current active members? (If the plan is closed to new entrants, that fact should be disclosed.)	_____	_____	_____
<i>c.</i> Briefly describe the benefit provisions, including the types of benefits, the provisions or policies with respect to automatic and ad hoc postretirement benefit increases, and the authority under which benefit provisions are established or may be amended?	_____	_____	_____
<i>d.</i> Disclose the authority under which the obligations of the plan members, employers, and other contributing entities to contribute to the plan are established or may be amended?	_____	_____	_____
<i>e.</i> Disclose the funding policy, including a brief description of how the contributions of the plan members, employers, and other contributing entities are determined (for example, by statute, through an actuarial valuation, or in some other manner) and how the costs of administering the plan are financed?	_____	_____	_____
<i>f.</i> Disclose legal or contractual maximum contribution rates disclosed, if applicable?	_____	_____	_____
<i>g.</i> The required contribution rates of active or retired plan members, in accordance with the funding policy, expressed as a rate (amount) per member or as a percentage of covered payroll?	_____	_____	_____
<i>h.</i> Briefly describe the terms of any long-term contracts for contributions to the plan and disclosure of the amounts outstanding at the reporting date? [GASB 43, pars. 30a–30c(4) and 41]	_____	_____	_____
15. For OPEB plans that are administered as trusts or equivalent arrangements, do the notes to the financial statements also:			
<i>a.</i> Disclose the balances in the plan’s legally required reserves at the reporting date? (Amounts of net assets designated by the plan’s board of trustees or other governing body for specific purposes also may be disclosed but should be captioned designations, rather than reserves.)	_____	_____	_____
<i>b.</i> Briefly describe the purpose of each reserve and designation and whether the reserve is fully funded?	_____	_____	_____
<i>c.</i> Disclose information about the funded status of the plan as of the most recent valuation date, including the actuarial valuation date,			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial accrued liability, the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll, and the ratio of the unfunded actuarial liability to annual covered payroll?	_____	_____	_____
d. Disclose information about actuarial methods and assumptions used in valuations on which reported information about the annual required contributions of the employers (ARC) and the funded status and funding progress of OPEB plans are based, including:			
(1) That actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and that actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future?	_____	_____	_____
(2) That the required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits?	_____	_____	_____
(3) That calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point? (In addition, if applicable, disclosure should indicate that the projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.)	_____	_____	_____
(4) That actuarial calculations reflect a long-term perspective? (In addition, if applicable, disclosure should indicate that, consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.)	_____	_____	_____
(5) Identification of the actuarial methods and significant assumptions used to determine the ARC for the current year and the disclosures listed in Question 15c, including:			
(i) The actuarial cost method?	_____	_____	_____
(ii) The method(s) used to determine the actuarial value of assets?	_____	_____	_____
(iii) The assumptions with respect to the inflation rate, investment return (discount rate) (including the method used to determine a blended rate for a partially funded plan, if applicable), projected salary increases if relevant to determination of the level of benefits, and, for postemployment healthcare plans, the healthcare cost trend rate? (If the economic assumptions contemplate different rates for successive years [year-based or select and ultimate rates], the rates that should be disclosed are the initial and ultimate rates.)	_____	_____	_____



	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>(iv) The amortization method (level dollar or level percentage of projected payroll) and the amortization period (equivalent single amortization period, for plans that use multiple periods) for the most recent actuarial valuation and whether the period is closed or open? (Plans that use the aggregate actuarial cost method should disclose that because the method does not identify or separately amortize unfunded actuarial accrued liabilities, information about the plan’s funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and that the information presented is intended to approximate the funding progress of the plan.) [GASB 43, par. 30c(5) and d]</p>	_____	_____	_____
<p>16. If a plan uses the alternative measurement method permitted by GASB 43, do the notes disclose that the plan uses that method and the source or basis of all significant assumptions or methods selected in addition to all other disclosures required by GASB 43? [GASB 43, par. 39]</p>	_____	_____	_____
<p>17. For plans that are reported as agency funds, do the notes also disclose that each participating employer is required by GASB 45 to disclose additional information with regard to funding policy, the employer’s annual OPEB cost and contributions made, the funded status and funding progress of the employer’s individual plan, and actuarial methods and assumptions used? [GASB 43, par. 41]</p>	_____	_____	_____
<p><b><i>Required Supplementary Information for OPEB Plans That Are Administered as Trusts or Equivalent Arrangements</i></b></p>			
<p>18. Are schedules of funding progress and of employer contributions for each plan presented as required supplementary information (RSI) immediately after the notes to the financial statements? [GASB 43, pars. 13, 17, and 31]</p>	_____	_____	_____
<p>19. Does the schedule of funding progress present for the most recent valuation and the two preceding valuations the information listed in Question 15c? [GASB 43, par. 35]</p>	_____	_____	_____
<p>20. Does the schedule of employer contributions present for the most recent valuation and the two preceding valuations, at a minimum:</p> <p style="margin-left: 20px;">a. The dollar amount of the ARC applicable to that year?</p> <p style="margin-left: 20px;">b. The percentage of that ARC that was recognized in the plan’s statement of changes in plan net assets for that year as contributions from the employer(s)?</p>	_____	_____	_____
<p>21. When the plan’s funding policy includes contributions from sources other than the plan members and employers (for example, contributions from a state government to a local government plan), are the required contributions of those other contributing entities and the percentage recognized as made included in the schedule of employer contributions? (The schedule should be titled <i>schedule of contributions from the employer(s) and other contributing entities</i>.) [GASB 43, par. 36]</p>	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
22. Are the schedules accompanied by notes that disclose factors that significantly affect the identification of trends in the amounts reported in the required schedules, including, for example, changes in benefit provisions, the size or composition of the population covered by the plan, or the actuarial methods and assumptions used? [GASB 43, par. 37]	_____	_____	_____

***Defined Benefit OPEB Plans—Sponsor and Employer Reporting Overview***

23. Are defined benefit OPEB plans that are within the scope of GASB 43, including those that are fiduciary component units, included as employee benefit trust or agency funds in the entity’s financial statements? (Trust fund reporting is limited to plans that are administered as trusts or equivalent arrangements as defined in GASB 43, paragraph 4. Plan sponsors should report multiple-employer OPEB plans that do not meet those criteria as agency funds.) [GASB 43, pars. 4, 8, 17, and 41]	_____	_____	_____
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24. Is each plan considered a separate fund? [GASB 43, pars. 13–15]	_____	_____	_____
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25. Are the financial statements for individual plans presented in the notes to the sponsor’s or employer’s financial statements if the plans have not issued separate financial reports that include financial statements prepared in conformity with GAAP and, if applicable, RSI?	_____	_____	_____
<i>a.</i> If the plans have issued such separate financial reports, do the notes instead include information about how to obtain those separate reports? [GASB 43, par. 15]	_____	_____	_____

***Financial Statements and Note Disclosures***

26. Do the statement of fiduciary net assets and statement of changes in fiduciary net assets meet the GASB standards for the display of pension (and other employee benefit) trust and agency funds as listed in Questions 4–12? [GASB 34, pars. 108–109, as amended by GASB 43, par. 11; GASB 43, par. 41]	_____	_____	_____
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27. Are required note disclosures as listed in Questions 13–16 made for plans that are administered as trusts or equivalent arrangements? (If the plan’s financial statements are presented in both the employer’s report and a publicly available, stand-alone GAAP financial report, and the employer discloses information about how to obtain the stand-alone plan financial report, the employer may limit its disclosures to those listed in Questions 13, 14 <i>a</i> , 14 <i>h</i> , and 16.) [GASB 43, par. 30]	_____	_____	_____
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28. Are required note disclosures as listed in Questions 13, 14, and 17 made for plans that are reported as agency funds? (If the plan’s financial statements are presented in both the employer’s report and a publicly available, stand-alone GAAP financial report, and the employer discloses information about how to obtain the stand-alone plan financial report, the employer may limit its disclosures to those listed in Questions 13, 14 <i>a</i> , and 14 <i>h</i> .) [GASB 43, par. 30]	_____	_____	_____
---	-------	-------	-------

- |   | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|---|------------|-----------|------------|
| 29. When similar note disclosures are required by GASB 43 and GASB 45, are disclosures presented in a manner that avoids unnecessary duplication?<br>[GASB 45, par. 24, fn. 19] | _____      | _____     | _____      |

*Required Supplementary Information*

- |   |       |       |       |
|---|-------|-------|-------|
| 30. For each plan that is administered as a trust or equivalent arrangement, are schedules of funding progress and employer contributions and notes to RSI as required by GASB 43, paragraphs 35–37, and as listed in Questions 19–22 presented immediately after the notes to the financial statements unless (a) the required schedules are included with the plan’s financial statements in a publicly available, stand-alone plan financial report and (b) the employer discloses in its notes to the financial statements information about how to obtain the stand-alone plan financial report?<br>[GASB 43, pars. 31–32] | _____ | _____ | _____ |
|---|-------|-------|-------|

- |   |       |       |       |
|---|-------|-------|-------|
| 31. For each single-employer plan for which (a) the required schedules are included with the plan’s financial statements in a publicly available, stand-alone plan financial report and (b) the employer includes in its notes to the financial statements information about how to obtain the stand-alone plan financial report, is a schedule of funding progress and notes to RSI presented as required by GASB 43, paragraphs 35 and 37, and as listed in Questions 19 and 22 for the three most recent actuarial valuations?<br>[GASB 43, par. 32] | _____ | _____ | _____ |
|---|-------|-------|-------|

- |  |       |       |       |
|--|-------|-------|-------|
| 32. When similar RSI is required by GASB 43 and GASB 45, is the information presented in a manner that avoids unnecessary duplication?<br>[GASB 45, par. 24, fn. 19] | _____ | _____ | _____ |
|--|-------|-------|-------|

*Defined Contribution OPEB Plans*

- |  |       |       |       |
|--|-------|-------|-------|
| 33. Are defined contribution plans that provide OPEB included as employee benefit trust funds or fiduciary component units in the entity’s financial statements?<br>[GASB 43, par. 42] | _____ | _____ | _____ |
|--|-------|-------|-------|

- |  |       |       |       |
|--|-------|-------|-------|
| 34. Is each plan considered a separate fund?<br>[Generally Accepted] | _____ | _____ | _____ |
|--|-------|-------|-------|

- |   |       |       |       |
|---|-------|-------|-------|
| 35. Do the financial statements apply the detailed display requirements of GASB 25 and GASB 43 as listed in Questions 4–7 and 8–12?<br>[GASB 34, pars. 108–109, as amended by GASB 43, par. 11; GASB 43, par. 42] | _____ | _____ | _____ |
|---|-------|-------|-------|

- |  |       |       |       |
|--|-------|-------|-------|
| 36. Do the notes to the financial statements of the plan include the following disclosures when the financial statements are presented in a stand-alone report or solely in the financial report of an employer: |       |       |       |
| a. A plan description, including:  |       |       |       |
| (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, external investment pools, and other pooled investments) in any one organization that represent 5 percent or more of plan net assets?	_____	_____	_____
37. When a plan’s financial statements are presented in both an employer’s report and a publicly available stand-alone plan report that includes all disclosures indicated in Question 36, and the employer limits its plan disclosures to those in Questions 36a(1), 36b, and 36c, has the employer disclosed information about how to obtain the stand-alone plan financial report? [GASB 25, par. 41, as amended by GASB 40, par. 12; GASB 43, par. 42]	_____	_____	_____

**GASB 45**

GASB 45 establishes standards of accounting and financial reporting for OPEB expense or expenditures, or both, and related OPEB liabilities or OPEB assets, note disclosures, and RSI in the financial reports of state and local governmental employers. (See the definition of OPEB in the section of this appendix that discusses GASB 43.)

[GASB 45, par. 4]

GASB 45 applies to single-employer (sole), agent multiple-employer (agent), and cost-sharing multiple-employer (cost-sharing) defined benefit OPEB plans, defined contribution plans that provide OPEB, and insured benefits.

If a multiple-employer plan is not administered as a formal trust, or equivalent arrangement in which (a) employer contributions to the plan are irrevocable, (b) plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan, and (c) plan assets are legally protected from creditors of the employer(s) or plan administrator, GASB 45 requires that plan to be classified as an agent multiple-employer plan for financial reporting purposes.

[GASB 45, par. 22]

Some governments are legally responsible for contributions to OPEB plans that cover the employees of another governmental entity or entities. In those cases, the entity that is legally responsible for the contributions should comply with all applicable provisions of GASB 45 for measurement and recognition of expense or expenditures, or both, liabilities, assets, note disclosures, and RSI. If the plan is a defined benefit OPEB plan and the entity with legal responsibility for contributions is the only contributing entity, the requirements of GASB 45 for sole employers apply,

Yes    No    N/A

regardless of the number of entities whose employees are covered by the plan.  
[GASB 45, par. 32]

GASB 45 supersedes or amends all previous authoritative guidance on accounting and financial reporting for an employer’s OPEB expense or expenditures, or both, and related information. Most notably, it supersedes GASB 12, which provides note disclosures for OPEB, and paragraph 24 of GASB 27, which permits governments to apply the provisions of GASB 27 to postemployment healthcare benefits.  
[GASB 45, par. 10]

The provisions of GASB 45 are effective in three phases based on the entity’s implementation phase for purposes of applying GASB 34. Specifically:

If the entity’s GASB 34 phase was	The entity should apply GASB 45 for periods beginning after
Phase 1	December 15, 2006
Phase 2	December 15, 2007
Phase 3	December 15, 2008

Early implementation of GASB 45 is encouraged. Component units should implement the requirements of GASB 45 no later than the same year as their primary government. The provisions of GASB 45 generally may be applied prospectively.  
[GASB 34, par. 142 and 143; GASB 45, par. 36–38]

The disclosures in this appendix should be included in or accompany an entity’s basic financial statements if the entity is required to or does implement GASB 45. Note that the disclosure requirements below are not included in the June 30, 2004, *GASB Codification*. Appendix G of GASB 45 provides instructions for codifying the pronouncement’s standards.

**Assets and Liabilities**

- 1. Are OPEB liabilities and assets to different plans not offset in the financial statements?  
[GASB 45, pars. 20–21, 23, and 29]

\_\_\_\_\_

**Note Disclosures—Defined Benefit Plans**

- 2. Are disclosures made for each defined benefit OPEB plan, with disclosure for more than one plan combined in a manner that avoids unnecessary duplication?  
[GASB 45, par. 24]
- 3. When similar note disclosures are required by GASB 43 and GASB 45, are disclosures presented in a manner that avoids unnecessary duplication?  
[GASB 45, par. 24, fn. 19]
- 4. Is the following information disclosed:
  - a. A plan description, including:
    - (1) Name of the plan, identification of the PERS or other entity that administers the plan, and identification of the plan as a

\_\_\_\_\_

\_\_\_\_\_

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
single-employer, agent multiple-employer, or cost-sharing multiple-employer defined benefit OPEB 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 OPEB plan issues a stand-alone financial report or is included in the report of a PERS or another entity, and, if so, how to obtain the report?	_____	_____	_____
b. The funding policy, as follows:			
(1) Authority under which the obligations of the plan members, employer(s), and other contributing entities (for example, state contributions to local government plans) to contribute to the plan are established or may be amended?	_____	_____	_____
(2) Required contribution rate(s) of plan members? (The required contribution rate(s) could be expressed as a rate (amount) per member or as a percentage of covered payroll.)	_____	_____	_____
(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, and, if applicable, legal or contractual maximum contribution rates?	_____	_____	_____
(i) If the plan is a single-employer or agent plan and the rate differs significantly from the ARC, how the rate is determined (for example, by statute or by contract) or that the plan is financed on a pay-as-you-go basis?	_____	_____	_____
(ii) If the plan is a cost-sharing plan, the required contributions in dollars and the percentage of that amount contributed for the current year and each of the two preceding years, and how the required contribution rate is determined (for example, by statute or by contract, or on an actuarially determined basis) or that the plan is financed on a pay-as-you-go basis?	_____	_____	_____
c. Additionally for single-employer and agent plans:			
(1) For the current year, annual OPEB cost and the dollar amount of contributions made?	_____	_____	_____
(2) If the employer has a net OPEB obligation, the components of annual OPEB cost (ARC, interest on the net OPEB obligation, and adjustment to the ARC), the increase or decrease in the net OPEB obligation, and the net OPEB obligation at the end of the year?	_____	_____	_____
(3) For the current year and each of the two preceding years, annual OPEB cost, percentage of annual OPEB cost contributed that year, and net OPEB obligation at the end of the year? (For the first two years, the required information should be presented for the transition year, and for the current and transition years, respectively.)	_____	_____	_____
(4) Information about the funded status of the plan as of the most recent valuation date, including the actuarial valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
accrued liability (funded ratio), the annual covered payroll, and the ratio of the unfunded actuarial liability (or funding excess) to annual covered payroll? (Employers that use the aggregate actuarial cost method should prepare this information using the entry age actuarial cost method for that purpose only.) <sup>43</sup>	_____	_____	_____
(5) Information about actuarial methods and assumptions used in valuations on which reported information about the ARC, annual OPEB cost, and the funded status and funding progress of OPEB plans is based, including:			
(i) That actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and that actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future?	_____	_____	_____
(ii) That the required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits?	_____	_____	_____
(iii) That calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. (In addition, if applicable, the employer should disclose that the projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations [as discussed in the disclosure of funding policy in Question 4b(3)] on the pattern of cost sharing between the employer and plan members in the future.)	_____	_____	_____
(iv) That actuarial calculations reflect a long-term perspective? (In addition, if applicable, the entity should disclose that, consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.)	_____	_____	_____
(v) Identification of the actuarial methods and significant assumptions used to determine the ARC for the current year and the information listed in Question 4c(4), including the actuarial cost method?	_____	_____	_____
(vi) Identification of the actuarial methods and significant assumptions used to determine the ARC for the current year and the information listed in Question 4c(4), including the method(s) used to determine the actuarial value of assets?	_____	_____	_____

<sup>43</sup> For sole employers that include the plan in the financial reporting entity as a trust fund, presentation of information about the plan's funded status and funding progress as required for the plan by GASB 43 meets this requirement. For agent employers, this requirement applies to the employer's individual plan. The information should be presented even if the aggregate multiple-employer plan (all employers) is included as an OPEB trust fund in the employer's report and the required funded status and funding progress information is presented for the aggregate plan. [GASB 45, par. 25, fn. 21]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>(vii) Identification of the actuarial methods and significant assumptions used to determine the ARC for the current year and the information listed in Question 4c(4), including the assumptions with respect to the inflation rate, investment return (including the method used to determine a blended rate for a partially funded plan, if applicable), postretirement benefit increases if applicable, projected salary increases if relevant to determination of the level of benefits, and, for postemployment healthcare plans, the healthcare cost trend rate? (If the economic assumptions contemplate different rates for successive years [year-based or select and ultimate rates], the rates that should be disclosed are the initial and ultimate rates.)</p>	_____	_____	_____
<p>(viii) Identification of the actuarial methods and significant assumptions used to determine the ARC for the current year and the information listed in Question 4c(4), including the amortization method (level dollar or level percentage of projected payroll) and the amortization period (equivalent single amortization period, for plans that use multiple periods) for the most recent actuarial valuation and whether the period is closed or open? (Employers that use the aggregate actuarial cost method should disclose that because the method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and that the information presented is intended to approximate the funding progress of the plan.) [GASB 45, par. 25]</p>	_____	_____	_____
<p>5. If an entity uses the alternative measurement method permitted by GASB 45, do the notes disclose that it uses that method and the source or basis of all significant assumptions or methods selected in accordance with paragraph 34 of GASB 45 in addition to all other disclosures required by GASB 45? [GASB 45, pars. 33–34]</p>	_____	_____	_____
<p><i>Note Disclosures—Insured Benefits</i><sup>44</sup></p>			
<p>6. Do the notes to the financial statements disclose:</p> <p style="margin-left: 20px;">a. A brief description of the insured benefit, including the authority under which benefit provisions are established or may be amended?</p>	_____	_____	_____
<p style="margin-left: 20px;">b. The fact that the obligation for the payment of benefits has been effectively transferred from the employer to one or more insurance companies?</p>	_____	_____	_____

<sup>44</sup> An insured benefit is an OPEB financing arrangement whereby an employer pays premiums to an insurance company while employees are in active service, in return for which the insurance company unconditionally undertakes an obligation to pay the postemployment benefits of those employees or their beneficiaries, as defined in the employer’s plan. If an employer’s OPEB financing arrangement with the insurance company does not meet those criteria, the benefit is not an insured benefit for financial reporting purposes, and the employer should comply with the requirements of GASB 45 for sole and agent employers. [GASB 45, par. 28]



	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. Whether the employer has guaranteed benefits in the event of the insurance company’s insolvency?	_____	_____	_____
d. The current-year OPEB expense or expenditures, or both, and contributions or premiums paid? [GASB 45, par. 28]	_____	_____	_____

**Note Disclosures—Defined Contribution Plans**

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

**Required Supplementary Information<sup>45</sup>**

**Sole and Agent Employers<sup>46</sup>**

8. Do sole and agent employers present as RSI the following information for the most recent actuarial valuation and the two preceding valuations: <sup>47</sup>			
a. Information about the funding progress of the plan, including, for each valuation, each of the elements of information listed in Question 4c(4)?	_____	_____	_____
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?	_____	_____	_____

<sup>45</sup> GASB 43 includes the requirements for RSI of OPEB plans reported as trust or agency funds in the employer’s financial reports. When similar information is required by GASB 43 and GASB 45, the employer should present the disclosures in a manner that avoids unnecessary duplication. [GASB 45, par. 24, fn. 19]

<sup>46</sup> For sole employers that include the plan in the financial reporting entity (as a trust fund), presentation of information about the plan’s funded status and funding progress as required for the plan by GASB 43 meets these requirements. For agent employers, these requirements apply to the employer’s individual plan. The information should be presented even if the aggregate multiple-employer plan (all employers) is included as an OPEB trust fund in the employer’s report and the required funded status and funding progress information is presented for the aggregate plan. [GASB 45, par. 26, fn. 24]

<sup>47</sup> Until three actuarial valuations have been performed in accordance with the parameters of GASB 45, the RSI should be presented for as many years as it is available. Retroactive application of GASB 45 is not required. However, employers that have available actuarial information that was calculated using methods and assumptions that do not differ significantly from the parameters for periods prior to the implementation date may elect to apply the measurement requirements of GASB 45 retroactively. Those employers may be able to provide information in accordance with the parameters for the prior three actuarial valuations when GASB 45 is first implemented. [GASB 45, par. 26, fn. 23]

Yes    No    N/A

- 9. If the entity uses the aggregate actuarial cost method, has it prepared the RSI using the entry age actuarial cost method and disclosed that fact and that the purpose of the disclosure listed in Question 8 is to provide information that approximates the funding progress of the plan?

[GASB 45, par. 26]

\_\_\_\_\_

*Cost-Sharing Employers*

- 10. If the cost-sharing plan in which an entity participates does not issue and make publicly available a stand-alone plan financial report prepared in accordance with the requirements of GASB 43, and the plan is not included in the financial report of a PERS or another entity, does the entity present as RSI schedules of funding progress and employer contributions for the plan (and notes to those schedules), prepared in accordance with the requirements of GASB 43? (The employer should disclose that the information presented relates to the cost-sharing plan as a whole, of which the employer is one participating employer, and should provide information helpful for understanding the scale of the information presented relative to the employer.)

[GASB 45, par. 27]

\_\_\_\_\_

**GASB 47**

GASB 47 establishes standards of accounting and financial reporting for termination benefits. Termination benefits are benefits provided by employers to employees as an inducement to hasten the termination of services or as a result of a voluntary early termination (*voluntary termination benefits*) or as a consequence of the involuntary early termination of services (*involuntary termination benefits*). Termination benefits may include cash payments, enhancements to defined benefit pension or OPEB formulas, healthcare coverage when none otherwise would be provided, career counseling, and outplacement services. In determining whether the nature of a benefit arrangement is to provide benefits in exchange for the early termination of services (a termination benefit) or to provide benefits in exchange for employee services (a pension benefit or OPEB), professional judgment should be applied considering all relevant factors—including, for example, the employer’s intent, the way in which the employees generally view the benefits, whether the benefit is conditioned on termination of employment prior to the normal retirement age, and the length of time for which the benefits have been made available.

[GASB 47, pars. 1, 3, and 5]

GASB 47 supersedes or amends various paragraphs and footnotes in various NCGA and GASB standards. Most notably, it supersedes the guidance in NCGA Interpretation 8, *Certain Pension Matters*, relating to special termination benefits.

[GASB 47, par. 7]

For termination benefits that affect an employer’s obligations for defined benefit OPEB, the provisions of GASB 47 should be applied simultaneously with the requirements of GASB 45. For all other termination benefits, including those that affect an employer’s obligations for defined benefit pension benefits, GASB 47 is effective for financial statements for periods beginning after June 15, 2005, with earlier application encouraged. In the initial year of implementation, GASB 47 should be applied to any

previous commitments of termination benefits that remain unpaid at the effective date, with the cumulative effect reported as a restatement of beginning net assets, equity, or fund balance, as appropriate.  
[GASB 47, pars. 22–23]

The disclosures in this appendix should be included in an entity’s basic financial statements if the entity is required to or does implement GASB 47. Appendix C of GASB 47 provides instructions for codifying the pronouncement’s standards.

*Assets, Liabilities, Revenues, and Expenditures/Expenses*

- |   | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|---|------------|-----------|------------|
| 1. Are assets, liabilities, revenues, and expenditures or expenses, or both, related to employee termination benefits (such as early retirement benefits or severance benefits) reported in the government-wide financial statements and fund financial statements?<br>[GASB 47, pars. 3–7] | _____      | _____     | _____      |
| 2. For pollution remediation activities reported in governmental funds, are such activities reported on the current financial resources measurement focus and modified accrual basis of accounting?<br>[GASB 47, par. 16]   | _____      | _____     | _____      |
| 3. For pollution remediation activities reported in proprietary funds and the government-wide financial statements, are such activities reported on the economic resources measurement resources focus and accrual basis of accounting?<br>[GASB 47, pars. 12–15]                           | _____      | _____     | _____      |
| 4. Are healthcare-related termination benefits measured at the discounted present value of expected future benefits?<br>[GASB 47, par. 9]   | _____      | _____     | _____      |
| 5. Are nonhealthcare-related termination benefits measured either at the discounted present value of expected future benefits or undiscounted total of estimated future benefit payments at current cost levels?<br>[GASB 47, pars. 10–11]  | _____      | _____     | _____      |
| 6. Has the employer recognized a liability and expense for voluntary termination benefits when the employees accept the offer and the amounts can be estimated?<br>[GASB 47, par. 12]   | _____      | _____     | _____      |
| 7. Has the employer recognized a liability and expense for involuntary termination benefits when a plan of termination has been communicated to employees and the amounts can be estimated?<br>[GASB 47, pars. 13–15]   | _____      | _____     | _____      |

*Note Disclosures*

- |   |       |       |       |
|---|-------|-------|-------|
| 8. Do the notes to the financial statements disclose:   |       |       |       |
| a. In the period in which an employer becomes obligated for termination benefits and in any additional period in which employees are required to render future service in order to receive involuntary termination benefits, a description of the termination benefit arrangement(s)—for example, information about the type(s) of benefits provided, the number of employees affected, and the period of time over which benefits are expected to be provided?<br>[GASB 47, par. 18] | _____ | _____ | _____ |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. In the period in which an employer becomes obligated for termination benefits, the cost of termination benefits if that information is not otherwise identifiable from information displayed on the face of the financial statements? (To meet this requirement, an employer that provides termination benefits that affect defined benefit pension or OPEB obligations should disclose in the notes the change in the actuarial accrued liability for the pension or OPEB plan attributable to the termination benefits.) [GASB 47, par. 19]	_____	_____	_____
c. In all periods in which termination benefit liabilities are reported, the significant methods (for example, whether termination benefits are measured at the discounted present value of expected future benefit payments) and assumptions (for example, the discount rate and healthcare cost trend rate, if applicable) used to determine the liabilities? [GASB 47, par. 20]	_____	_____	_____
d. If so, the fact that a termination benefit that otherwise meets the recognition criteria of GASB 47 is not recognized because the expected benefits are not estimable? [GASB 47, par. 21]	_____	_____	_____

**GASB 48**

GASB 48 establishes accounting and financial reporting standards for transactions where a state or local government receives, or is entitled to receive, resources in exchange for future cash flows. GASB 48 addresses the question as to whether these transactions should be recognized as revenue resulting from a sale or as a collateralized borrowing resulting in a liability.  
[GASB 48, par. 3]

The provisions of GASB 48 are effective for financial statements prepared for periods beginning after December 15, 2006. Earlier application is encouraged. In the first period GASB 48 is applied, changes made to implement the statement, except those resulting from applying the deferral provisions in paragraphs 14–15 relative to sales of future revenues, should be treated as an adjustment to prior periods. The deferral paragraphs 14–15 may be applied prospectively. The financial statements should disclose the nature of any prior period restatement.  
[GASB 48, par. 23]

GASB 48 supersedes paragraphs 16–23 of GASB Technical Bulletin No. 2004-1, *Tobacco Settlement Recognition and Financial Reporting Entity Issues*, and amends paragraphs 58, 61, and 100 of GASB 34.  
[GASB 48, par. 4]

The disclosures in this appendix should be included in an entity’s basic financial statements if the entity is required to or does implement GASB 48. Appendix E of GASB 48 provides instructions for codifying the pronouncement’s standards.

***Assets, Liabilities, Revenues, and Expenditures/Expenses***

1. Do the financial statements include activities related to the sale or collateralized borrowing of receivables or future revenues? [GASB 48, pars. 5–14]	_____	_____	_____
---	-------	-------	-------

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p>2. For transactions in which the government receives, or is entitled to receive, proceeds in exchange for future cash flows from receivables, and the government’s continuing involvement with those receivables have been effectively terminated, has the government reported the transaction as a sale? [GASB 48, pars. 6–9 and 13–14]</p>	_____	_____	_____
<p>3. For transactions in which the government receives, or is entitled to receive, proceeds in exchange for future cash flows from receivables, and the government’s does not meet the criteria for the transaction to be classified as a sale, has the government reported the transaction as a collateralized borrowing? [GASB 48, pars.11–12]</p>	_____	_____	_____
<p>4. For transfers of assets and future revenues within the same reporting entity, has the transferee recognized the assets or future revenues at the same carrying value of the transferor, and any difference recorded as income or expense as follows:</p> <ul style="list-style-type: none"> <li>● Gain or loss by the transferor in separately issued financial statements?</li> <li>● Revenue or expenditure or expense, or both, by the transferee in separately issued financial statements?</li> <li>● Transfers or subsidies in the financial statements of the reporting entity?</li> <li>● For sales of future revenues, a deferred charge by the transferee and amortized over the life of the agreement?</li> <li>● For sales of future revenues, deferred revenue to be recognized over the duration of the sale agreement? [GASB 48, pars. 15–16]</li> </ul>	_____	_____	_____
<p>5. For the receipt of a note or a residual certificate arising from a sale of specific receivables or future revenues, has the government properly reported the residual interest as follows:</p> <ul style="list-style-type: none"> <li>● For the transferor, as an adjustment to the sale gain or loss in the period of the sale, and as revenues in subsequent periods?</li> <li>● For the transferee, as a liability for its obligation to remit residuals? [GASB 48, par. 17]</li> </ul>	_____	_____	_____
<p>6. Has the transferor recognized estimated liabilities arising from the agreement, such as recourse obligations or repurchase commitments, when information available prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated? [GASB 48, par.18]</p>	_____	_____	_____
<p>7. For pledges of future revenues when the resources are not received by the pledging government, and a component unit issues debt for the benefit of the pledging government where the future revenue has been pledged to the component unit, has the pledging government and component unit reported the arrangement as follows:</p>			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. At the time of the pledge agreement, the pledging government has not recognized a liability, and the component unit has not recognized a receivable?	_____	_____	_____
b. Upon recognition of the revenue that is pledged, the pledging government has recorded the revenue and a liability and related expenditure or expense, or both?	_____	_____	_____
c. The debt-issuing component unit has recognized revenue when the pledging government is obligated to make the payments? [GASB 48, pars. 19–20]	_____	_____	_____

**Note Disclosures**

8. For each period in which secured debt remains outstanding, do the notes to the financial statements of the pledging government disclose:			
a. Identification of the specific revenue pledged and the approximate amount of the pledge?	_____	_____	_____
b. Identification and the general purpose of the debt secured by the pledge?	_____	_____	_____
c. The period of time during which the pledged revenue will not be available for other purposes?	_____	_____	_____
d. The relationship of the pledged amount to the total for that specific revenue, if estimable?	_____	_____	_____
e. A comparison of the pledged revenues recognized during the period to the principal and interest requirement for the debt directly or indirectly collateralized by the pledged revenues?	_____	_____	_____
9. In the year of sales of future revenues, do the notes to the financial statements of the selling government disclose:			
a. Identification of the specific revenue sold, including the approximate amount sold, and the significant assumptions used in determining the approximate amount?	_____	_____	_____
b. The period to which the sale applies?	_____	_____	_____
c. The relationship of the sold amount to the total for that specific revenue, if estimable?	_____	_____	_____
d. A comparison of the sale proceeds and the present value of the future revenues sold, including significant present value assumptions?	_____	_____	_____

**GASB 49**

GASB 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups.  
[GASB 49, summary]

The provisions of GASB 49 are effective for financial statements prepared for periods beginning after December 15, 2007, with measurement of pollution remediation liabilities required at the beginning of the period so that beginning net assets can be restated. Governments that have sufficient objective and verifiable information to apply the expected cash flow

Yes    No    N/A

technique to measurements in prior periods are required to apply the provisions retroactively for all such prior periods presented.  
[GASB 49, par. 27]

GASB 49 amends paragraphs 42–43 of NCGA Statement No. 1, *Governmental Accounting and Financial Reporting Principles*, paragraph 14 of NCGA Statement No. 4, *Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences*, paragraph 5 of NCGA Interpretation 6, *Notes to the Financial Statements Disclosure*, paragraph 1 of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, as amended, and paragraphs 9, 11, and 14 and footnote 7 of GASBI 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.  
[GASB 49, par. 3]

The disclosures in this appendix should be included in an entity’s basic financial statements if the entity is required to or does implement GASB 49.

*Assets, Liabilities, Revenues, and Expenditures/Expenses*

- |   |              |              |              |
|---|--------------|--------------|--------------|
| <p>1. Are assets, liabilities, revenues, and expenditures or expenses, or both, related to pollution remediation obligations reported in the government-wide financial statements and fund financial statements?<br/>[GASB 49, pars. 23–24]</p>   | <p>_____</p> | <p>_____</p> | <p>_____</p> |
| <p>2. For pollution remediation activities reported in governmental funds, are such activities reported on the current financial resources measurement focus and modified accrual basis of accounting?<br/>[GASB 34, par. 79]</p>   | <p>_____</p> | <p>_____</p> | <p>_____</p> |
| <p>3. For pollution remediation activities reported in proprietary funds and the government-wide financial statements, are such activities reported on the economic resources measurement resources focus and accrual basis of accounting?<br/>[GASB 34, pars. 16 and 92]</p>   | <p>_____</p> | <p>_____</p> | <p>_____</p> |
| <p>4. In the proprietary funds and government-wide financial statements, are pollution remediation outlays capitalized when they meet any of the following circumstances:</p> <ul style="list-style-type: none"> <li>● The outlays are for preparing property in anticipation of a sale. Capitalization should be of only amounts that would result in the carrying amount of the property not exceeding the fair value upon completion of the remediation?</li> <li>● The outlays are for preparing property for use when the property was acquired with known or suspected pollution that was expected to be remediated. Capitalization should be of only outlay amounts expected to be necessary to place the asset into its intended location and condition for use?</li> <li>● The outlays are for performing pollution remediation that restores a pollution-caused decline in service utility that was recognized as an asset impairment. Capitalization should be of only outlay amounts expected to be necessary to place the asset into its intended location and condition for use?</li> </ul> | <p>_____</p> | <p>_____</p> | <p>_____</p> |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<ul style="list-style-type: none"> <li>• The outlays are to acquire property, plant, and equipment that have a future alternative use. Capitalization should be of only outlay amounts to the extent of the estimated service utility that will exist after pollution remediation activities have ceased? [GASB 49, par. 22; GASB 34, par.18, as amended]</li> </ul>	_____	_____	_____
5. In governmental funds financial statements, are pollution remediation outlays reported as pollution remediation expenditures? [GASB 49, par. 23]	_____	_____	_____
6. Are pollution remediation liabilities reported once an obligating event occurs and the amount can be reasonably estimated? [GASB 49, pars. 10–13]	_____	_____	_____
7. Are pollution remediation liabilities measured at the current value of outlays expected to be occurred using the expected cash flow technique? [GASB 49, pars. 14–17]	_____	_____	_____
8. If applicable, have pollution remediation liability estimates been adjusted when benchmarks are met or when new information indicates changes in the estimated outlays? [GASB 49, par. 18]	_____	_____	_____
9. Are pollution remediation liabilities reported net of expected recoveries from insurance policies or other third parties when the expected recoveries are not yet realized or realizable? [GASB 49, pars. 19–21]	_____	_____	_____
10. Are expected recoveries that are realized or realizable reported separately from the pollution remediation liability as recovery assets, such as cash or receivables? [GASB 49, pars. 19–21]	_____	_____	_____
<b>Note Disclosures</b>			
11. For recognized pollution remediation liabilities and recoveries of pollution remediation outlays, did the government disclose:			
a. The nature and source of pollution remediation obligations, such as federal or state laws and regulations?	_____	_____	_____
b. The amount of the estimated liability (if not apparent from the financial statements) the methods and assumptions used for the estimate, and the potential for changes to the estimate due to such circumstances as price increases or decreases, technology advancements, or changes in applicable laws and regulations?	_____	_____	_____
c. Estimated recoveries reducing the liability?	_____	_____	_____
12. For pollution remediation liabilities, or portions thereof, that are not yet recognized because they are not reasonably estimable, did the government disclose a general description of the nature of the pollution remediation activities?	_____	_____	_____

**GASB 50**

GASB 50 amends note disclosure and required supplementary information standards for pension plans and employer reporting for pensions of GASB 25 and GASB 27 to conform to the note disclosure requirements of GASB 43 and GASB 45 on OPEB.  
[GASB 50, par. 1]



The provisions of GASB 50 are effective for financial statements prepared for periods beginning after June 15, 2007.  
[GASB 50, par. 23]

GASB 50 amends paragraphs 32, 36–37, and 40–41 of GASB 25 and supersedes paragraphs 17–18 of that statement. GASB 50 also amends paragraphs 20–22 and footnotes 10 and 17 of GASB 27.  
[GASB 50, par. 2]

The disclosures in this appendix should be included in an entity’s basic financial statements if the entity is required to or does implement GASB 50.

**Note Disclosures**

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
1. For defined benefit pensions plans, do the notes to the plan financial statements have the following GASB 25 amended disclosures included:			
a. Brief description of how fair value of investments is determined and the methods and significant assumptions used to estimate fair value, if based on other than quoted market prices?	_____	_____	_____
b. The legal or contractual maximum contribution rates, if applicable?	_____	_____	_____
c. Information about the funded status of the plan as of the most recent valuation date, including the actuarial valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial accrued liability, the annual covered payroll, and the ratio of unfunded actuarial liability to annual covered payroll?	_____	_____	_____
d. The actuarial methods and assumptions used in valuations on which reported information about the annual required contribution and the funded status and funding progress are based?	_____	_____	_____
2. For defined contribution plans, do the notes the plan financial statements have the following GASB 25 amended disclosures included:			
a. Brief description of how fair value of investments is determined and the methods and significant assumptions used to estimate fair value, if based on other than quoted market prices?	_____	_____	_____
3. For employers participating in a defined benefit plan, do the notes to the financial statements have the following GASB 27 amended disclosures included:			
a. Legal or contractual maximum contribution rates of the employer, if applicable?	_____	_____	_____
b. For cost-sharing employers, a description of how the contribution rate is determined (for example, by statute or contract, or by actuarial valuation) or that the plan is financed on a pay-as-you-go basis?	_____	_____	_____
4. For employers participating in a sole or agent employer defined benefit pension plan, do the notes to the financial statements have the following GASB 27 amended disclosures included:			
a. Information about the funded status of the plan as of the most recent valuation date, including the actuarial valuation date, the			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial accrued liability, the annual covered payroll, and the ratio of unfunded actuarial liability to annual covered payroll?	_____	_____	_____
b. The actuarial methods and assumptions used in valuations on which reported information about the annual required contribution and the funded status and funding progress are based?	_____	_____	_____
<i>Required Supplementary Information</i>			
5. For defined benefit plans that use the aggregate actuarial cost method, does the required supplementary schedule of funding progress use the entry age actuarial cost method and disclose that fact and that the purpose of the disclosure is to provide information that approximates the funding progress of the plan?	_____	_____	_____
6. For sole and agent employers participating in defined benefit plans that use the aggregate actuarial cost method, does the required supplementary schedule of funding progress use the entry age actuarial cost method and disclose that fact and that the purpose of the disclosure is to provide information that approximates the funding progress of the plan?	_____	_____	_____
7. For employers participating in a cost-sharing defined benefit plan that does not issue a stand-alone financial report for the plan and the plan is not included in another entity's report, does the employer present the required supplementary information schedule of funding progress and employers contributions to the plan in accordance with the requirements of GASB 25?	_____	_____	_____

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## FSP Section 13,200

# *Auditors' Reports Checklist for Audits Performed in Accordance with Generally Accepted Auditing Standards*

.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 Chapter 14 of the Audit and Accounting Guide *State and Local Governments*. This checklist does not address:

- The requirements for reporting on audits of financial statements in accordance with *Government Auditing Standards* (also referred to as the Yellow Book), issued by the Comptroller General of the United States, or on audits performed under the Single Audit Act Amendments of 1996 in accordance with Office of Management and Budget (OMB) Circular A-133 (See the checklist for reporting on those audits at FSP section 13,300).
- Restricted-use reports (See AU 532, *Restricting the Use of an Auditor's Report*).
- Auditor's reports on special-purpose regulatory presentations (See AU 623, *Special Reports*, AAG-SLV, par. 14.70).
- Auditor's reports on summary financial information—*popular reports* (See AAG-SLV, pars. 14.71–.78 and Appendix A (par. 14.79), Example A.17).
- Auditor's reports on financial statements prepared in conformity with a comprehensive basis of accounting other than generally accepted accounting principles (GAAP), known as other comprehensive basis of accounting (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

(continued)

Yes    No    N/A

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–.08]

- |  |              |              |              |
|--|--------------|--------------|--------------|
| <p>1. If the titles of the financial statements are referred to in the introductory paragraph of the auditor’s report, do those titles match the titles of the financial statements presented?<br/>[Generally Accepted]</p>  | <p>_____</p> | <p>_____</p> | <p>_____</p> |
| <p>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?<br/>[Generally Accepted]</p>   | <p>_____</p> | <p>_____</p> | <p>_____</p> |
| <p>3. Does the auditor’s report:</p> <p style="margin-left: 20px;">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?<br/>[AU 508.06; AAG-SLV, par. 14.13]</p> <p style="margin-left: 20px;">b. Identify in the introductory paragraph each opinion unit covered by the report?<br/>[AAG-SLV, par. 14.13]</p> <p style="margin-left: 20px;">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?<br/>[AAG-SLV, par. 14.15]</p> | <p>_____</p> | <p>_____</p> | <p>_____</p> |
| <p>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.)<br/>[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]</p> <p style="margin-left: 20px;">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.)<br/>[AU 508.65; AAG-SLV, par. 14.35]</p>  | <p>_____</p> | <p>_____</p> | <p>_____</p> |
| <p>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?<br/>[AAG-SLV, pars. 14.11 and 14.47]</p>  | <p>_____</p> | <p>_____</p> | <p>_____</p> |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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. 14.48 and Appendix A (par. 14.79), Example A-13]	_____	_____	_____
b. If the financial statements that are subject to the more-detailed audit scope are not reported separately in the basic financial statements, does the report on that more-detailed audit scope refer to the presentation of the subject financial statements outside of the basic financial statements as supplementary information (SI), which is supplementary information other than required supplementary information (RSI)? [AAG-SLV, par. 14.49 and Appendix A (par. 14.79), Example A-14]	_____	_____	_____

### Practice Tip

The Public Company Accounting Oversight Board (PCAOB) establishes standards for audits of *issuers*, as that term is defined by the Sarbanes-Oxley Act of 2002 (the Act) or whose audit is prescribed by the rules of the Securities and Exchange Commission (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 AU section 508, *Reports on Audited Financial Statements* (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. (See also the discussion about that interpretation and that language in AAG-SLV, Appendix A (par. 14.79), par. A-3, Example A-1, and fn. 2.) Interpretation 18, "Reference to PCAOB Standards in an Audit Report on a Nonissuer," of AU section 508 (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? [AU 508.09]	_____	_____	_____
b. A title that includes the word independent? <sup>1</sup> [AU 508.08a]	_____	_____	_____
c. A statement that the financial statements identified in the report were audited? [AU 508.08b]	_____	_____	_____
d. A statement that the financial statements are the responsibility of management and that the auditor's responsibility is to express opinion(s) on the financial statements based on his or her audit? [AU 508.08c; AAG-SLV, pars. 14.13-.14]	_____	_____	_____
e. A statement that the audit was conducted in accordance with GAAS and an identification of the United States of America as the country of origin of those standards? [AU 508.08d]	_____	_____	_____
f. A statement that those standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement? [AU 508.08e]	_____	_____	_____

<sup>1</sup> If the auditor is not independent, see AU 504.10, *Association With Financial Statements*.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
g. A statement that an audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation? [AU 508.08f]	_____	_____	_____
h. A statement that the auditor believes that his or her audit provides a reasonable basis for his or her opinion(s)? [AU 508.08g; 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 <sup>2</sup> for the period then ended of each opinion unit in the entity's financial statements in conformity with generally accepted accounting principles (GAAP), with an identification of the United States of America as the country of origin of those accounting principles? [AU 508.08h; AAG-SLV, par. 14.12]	_____	_____	_____
j. The manual or printed signature of the auditor's firm? <sup>3</sup> [AU 508.08i]	_____	_____	_____
k. The date (or dual dates) of the auditor's report? [AU 530.03-.05; AU 508.08j and 508.28]	_____	_____	_____
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? [AU 543.03 and 543.07; AU 508.11a and 508.12-.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? [AU 508.11b and 508.14-.15]	_____	_____	_____

<sup>2</sup> 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. 3, A-5 fn. 16, A-15 fn. 45, and A-16 fn. 47]

<sup>3</sup> When the auditor performs an audit with another auditor on a subcontract, joint audit, or joint venture basis, considerations should be given to how the report is signed. [AAG-SLV, pars. 14.29-.31]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. There is substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time? <sup>4</sup> [AU 508.11c; AU 341.12-.13]	_____	_____	_____
c. There is a material change between periods in accounting principles or in the method of their application, including a component unit's change in accounting principles? <sup>5, 6, 7</sup> [AU 508.11d and 508.16-.18; AAG-SLV, pars. 14.32 and 14.46]	_____	_____	_____
d. In an updated report on comparative financial statements, the opinion on the prior period is different from the one previously expressed? [AU 508.11e and 508.68-.69]	_____	_____	_____
e. The financial statements of a prior period (presented for comparative purposes) have been audited by a predecessor auditor whose report is not presented? [AU 508.11e and 508.74)]	_____	_____	_____
f. A matter regarding the financial statements needs to be emphasized? [AU 508.11 and 508.19; Interpretation 3 of AU sec. 410 (AU 9410.18); Interpretation 1 of AU sec. 342 (AU 9342.03)]	_____	_____	_____
g. The auditor uses the work of a specialist in performing the audit and decides to add an explanatory paragraph? [AU 336.16]	_____	_____	_____
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?	_____	_____	_____

<sup>4</sup> If the auditor concludes that the entity's disclosures with respect to its ability to continue as a going concern for a reasonable period of time are inadequate, this represents a departure from generally accepted accounting principles that may result in either a qualified or an adverse opinion. Reporting guidance for such situations is provided in AU 508, *Reports on Audited Financial Statements*. [AU 341.14]

<sup>5</sup> 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. [AAG-SLV, par. 14.04; AU 508.50-.57]

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

<sup>7</sup> The adoption of certain Governmental Accounting Standards Board (GASB) standards constitute changes in accounting principles that, unless immaterial, will require the auditor's report to include an explanatory paragraph regarding consistency. [AAG-SLV, par. 14.17, fn. 8]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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. 14]	_____	_____	_____

**Practice Tip**

Scope limitations are restrictions on the scope of the audit, whether imposed by the client or by circumstances, such as the timing of the auditor’s work, the inability to obtain sufficient competent evidential matter, or an inadequacy in the accounting records. Scope limitations include situations in which the auditor is unable to obtain sufficient evidential matter to support management’s assertions about the nature of a matter involving an uncertainty and its presentation or disclosure in the financial statements. Scope limitations should be differentiated from situations in which the auditor concludes that the financial statements are materially misstated due to departures from GAAP.  
[AU 508.22 and 508.31–.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? [AU 326.25; AU 508.22–.34 and 508.61–.63]	_____	_____	_____
11. If a qualified opinion is expressed because of a scope limitation:			
a. Are all of the substantive reasons for the qualification disclosed in one or more explanatory paragraphs preceding the opinion paragraph(s)?	_____	_____	_____
b. Is the situation described and referred to in both the scope and opinion paragraphs?	_____	_____	_____
c. Does the qualified opinion include the word <i>except</i> or <i>exception</i> in a phrase such as <i>except for</i> or <i>with the exception of</i> ?	_____	_____	_____
d. Does the wording in the opinion paragraph indicate that the qualification pertains to the possible effects on the financial statements of the affected opinion unit(s) and not to the scope limitation itself? (That is, the qualification should indicate that the auditor is unable to reach a conclusion on one or more matters material to the financial statements of the affected opinion unit(s), rather than that the auditor’s procedures were restricted.) [AU 508.21 and 508.25–.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? [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?	_____	_____	_____



	<u>Yes</u>	<u>No</u>	<u>N/A</u>
e. Is the scope paragraph omitted if the disclaimer is on the financial statements taken as a whole? (See Question 16.)	_____	_____	_____
f. Does the report describe the auditor's reservations about fair presentation in conformity with GAAP? [AU 508.62-.63 ; AAG-SLV, pars. 14.20 and fn. *, 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 paragraph 14.22, for descriptions of GAAP departures in governmental financial statements.

13. Is a qualified or an adverse opinion considered in the following circumstances:			
a. The financial statements contain a material departure from GAAP, including inadequate disclosure, inappropriate accounting principles, or unreasonable accounting estimates? [AU 508.35-.60; AAG-SLV, par. 14.22]	_____	_____	_____
(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, <i>Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments</i> , does the report express adverse opinions on the "missing" major fund opinion units because of the omitted display and modify the opinion on the aggregate remaining fund information opinion unit if the missing major fund is contained therein? [AAG-SLV, 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 AU 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? [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, <sup>8</sup> if practicable, or state that the effects are not reasonably determinable, if not practicable to do so?	_____	_____	_____
c. Does the qualified opinion include the word <i>except</i> or <i>exception</i> in a phrase such as <i>except for</i> or <i>with the exception of</i> and a reference to the explanatory paragraph? [AU 508.21, 508.37-.44, and 508.52; AAG-SLV, par. 14.23 and Appendix A (par. 14.79), par. A.1]	_____	_____	_____

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

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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, <sup>9</sup> 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 <sup>10</sup> in conformity with GAAP? [AU 508.58–.60; AAG-SLV, pars. 14.24–.25 and Appendix A (par. 14.79), Examples A-6–A-7, A-10 and A-12]	_____	_____	_____
16. Does the report render an adverse opinion or a disclaimer of opinion on the financial statements taken as a whole when:			
a. The required government-wide or fund financial statements are not presented?	_____	_____	_____
b. Adverse opinions or disclaimers of opinion are appropriate for both the governmental activities and business-type activities opinion units (or for only the governmental activities opinion unit if that is the only required presentation for the primary government in the reporting entity’s government-wide financial statements)?	_____	_____	_____
c. In the auditor’s judgment the financial statements, taken as a whole, are not presented fairly in conformity with GAAP or it is appropriate to disclaim an opinion on the financial statements taken as a whole? [AAG-SLV, 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. If the government also has issued audited financial statements for the reporting entity, does the auditor’s report on separate primary government financial statements:			
a. Indicate that the financial statements are those of the primary government and not of the financial reporting entity?	_____	_____	_____
b. Define the term <i>primary government</i> ?	_____	_____	_____
c. Indicate that the primary government’s financial statements do not purport to, and do not, fairly present financial position, changes in financial position, or, where applicable, cash flows <sup>11</sup> of the financial reporting entity in conformity with GAAP?	_____	_____	_____

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

<sup>10</sup> See footnote 2.

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

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>d.</i> Indicate that the entity has issued separate audited reporting entity financial statements?	_____	_____	_____
<i>e.</i> Give opinions or disclaimers of opinion on the opinion units in the primary government's financial statements? [AAG-SLV, par. 14.42 and Appendix A (par. 14.79), Example A-11]	_____	_____	_____
18. If the government has not also issued audited financial statements for the reporting entity, does the auditor's report on separate primary government financial statements express opinions on the opinion units that are presented and express an adverse opinion or disclaimer of opinion on the missing aggregate discretely presented component unit opinion unit? (If the reporting entity financial statements would have included blended component units, the auditor should consider expressing a modified opinion on the opinion units that would have presented those blended component units.) [AAG-SLV, par. 14.43, fn. 2, and Appendix A (par. 14.79), Example A-12]	_____	_____	_____
19. If the financial statements omit the financial information of one or more (but not all) component units, is the effect of the GAAP departure on the auditor's report considered in relation to the relevant opinion unit(s)? [AAG-SLV, par. 14.44]	_____	_____	_____
20. Does the auditors' report disclose that the entity is a component unit of a financial reporting entity, if applicable? [AAG-SLV, par. 14.45 and Appendix A (par. 14.79), Example A-2]	_____	_____	_____

**Other Financial Statement Presentations**

21. Does the auditor's report on GAAP-basis financial statements for one or more individual funds:			
<i>a.</i> Report on the audit based on each fund as a separate opinion unit?	_____	_____	_____
<i>b.</i> Indicate in the introductory and opinion paragraphs the specific fund(s)?	_____	_____	_____
<i>c.</i> Include an explanatory paragraph after the scope paragraph indicating that the financial statements do not purport to, and do not, present the government's financial position, changes in financial position, or, where applicable, cash flows? <sup>12</sup>	_____	_____	_____
<i>d.</i> Consider whether the financial statements include all relevant GAAP financial statements, note disclosures, management's discussion and analysis (MD&A) topics, and other RSI?	_____	_____	_____
<i>e.</i> Consider the extent to which the financial statement presentation may be misleading to financial statement users who might misunderstand that the financial statements are meant to represent the overall government? (For example, if a government presents a complete set of fund financial statements, that results in a misleading presentation that should result in the auditor expressing an adverse opinion on the financial statements taken as a whole. See Question 16.) [AAG-SLV, pars. 14.65, 14.66, 14.67, and Appendix A (par. 14.79), Example A-15]	_____	_____	_____

<sup>12</sup> See footnote 2.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
22. Does the auditor’s report on GAAP-basis financial statements for governmental departments, agencies, or programs: <sup>13</sup>			
a. Report on the audit based on the involved opinion units?	_____	_____	_____
b. Include an explanatory paragraph after the scope paragraph indicating that the financial statements do not purport to, and do not, present the government’s financial position, changes in financial position, or, where applicable, cash flows? <sup>14</sup>	_____	_____	_____
c. Consider whether the financial statements include all relevant GAAP financial statements, note disclosures, MD&A topics, and other RSI? [AAG-SLV, par. 14.69 and Appendix A (par. 14.79), Example A-16]	_____	_____	_____

**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.

23. 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? <sup>15</sup> [AU 550.03; AU 558.02; AAG-SLV, par. 14.53]	_____	_____	_____
a. Is the reporting on the results of the audit based on the terms of the engagement? [AAG-SLV, par. 14.53]	_____	_____	_____
24. For unaudited RSI:			
a. Does the report include an explanatory paragraph if:			
(1) Applicable RSI is omitted? <sup>16</sup>	_____	_____	_____
(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? [AU 558.08; AU 551.16; AAG-SLV, par. 14.56]	_____	_____	_____

<sup>13</sup> When an organizational unit is coterminous with a single fund, it is appropriate for the government to issue a fund financial statement, rather than a departmental financial statement. [AAG-SLV, par. 14.69, fn. 27]

<sup>14</sup> See footnote 2.

<sup>15</sup> Unless the auditor is engaged to express an opinion whether RSI or supplementary information (SI) is fairly presented in conformity with GAAP, this checklist refers to the information as *unaudited*, even though generally accepted auditing standards (GAAS) require the auditor to perform specific procedures and perhaps to report on the information.

<sup>16</sup> 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. 14.56, fn. 22]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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? [AU 550.07; AU 551.06, 551.10, and 551.12–.15; AU 558.09; AAG-SLV, pars. 14.60–.62 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?	_____	_____	_____
(iii) The types of opinions expressed on those prior-year financial statements and on the RSI? [AAG-SLV, par. 14.64]	_____	_____	_____
25. 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? [AU 550.04; AU 508.11 <i>h</i> ; AAG-SLV, par. 14.59]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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? [AU 550.07; AU 551.06, 551.10, and 551.12–14; AAG-SLV, pars. 14.60–.62 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 proper 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?	_____	_____	_____
(iii) The types of opinions expressed on those prior-year financial statements and on the SI? [AAG-SLV, par. 14.64]	_____	_____	_____
26. 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. 14.63 and Appendix A (par. 14.79), Example A-9]	_____	_____	_____

**Other Auditor Communications**

27. For audit engagements of periods ending prior to December 15, 2006 and where Statement on Auditing Standards (SAS) 112, *Communicating*

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<p><i>Internal Control Related Matters Identified in an Audit</i>, has not been implemented early, does the auditor follow the reporting requirements of SAS 60, <i>Communication of Internal Control Related Matters Noted in an Audit</i>, 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; AAG-SLV, par. 4.60]</p>	_____	_____	_____
<p>28. For audit engagements of periods ending on or after December 15, 2006, or where SAS 112 has been implemented early, has the auditor communicated, in writing to management and those charged with governance within 60 days following release of the auditor's report on the financial statements, internal control deficiencies identified in the audit that are considered to be significant deficiencies and material weaknesses, including those communicated in prior audits and have not yet been remediated? The communication should include:</p> <p>a. A statement that the purpose of the audit was to express an opinion on the financial statements, but not to express an opinion on the effectiveness of the entity's internal control over financial reporting.</p> <p>b. A statement that the auditor is not expressing an opinion on the effectiveness of internal control.</p> <p>c. A definition of the terms <i>control deficiency</i>, <i>significant deficiency</i>, and where relevant, <i>material weakness</i>.</p> <p>d. The matters that are considered to be significant deficiencies, and if applicable, those that are considered to be material weaknesses.</p> <p>e. A statement that the communication is intended solely for the information and use of management, those charged with governance, and others within the organization, and any required governmental authorities; and that the communication is not intended to be and should not be used by anyone other than these specific parties. [AU 325.20–.25; AAG-SLV, par. 4.60, fn. †, and 13.24, fn. †]</p>	_____	_____	_____
<p>29. For audits of financial statements for periods beginning prior to December 15, 2006, or where the provisions of SAS 114, <i>The Auditor's Communication with Those Charged with Governance</i>, have not been early implemented, does the auditor follow the reporting requirements of SAS 61, <i>Communication With Audit Committees</i>, 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.) [AU 380A.01, 380A.03, and 380A.06–.16; AAG-SLV, par. 13.24]</p>	_____	_____	_____
<p>30. For audits of financial statements for periods beginning on or after December 15, 2006, or where the provisions of SAS 114 have been</p>			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
early implemented, does the auditor follow the reporting requirements of SAS 114 when communicating the following to management and those charged with governance:			
<ul style="list-style-type: none"> <li>• The auditor’s responsibilities under generally accepted auditing standards, and where applicable <i>Government Auditing Standards</i> and OMB Circular A-133 (see FSP section 13,300);</li> <li>• An overview of the planned scope and timing of the audit; and</li> <li>• Significant findings from the audit. [AU 380.23–.47]</li> </ul>	_____	_____	_____
31. If the auditor has determined that there is evidence that fraud may exist, has the auditor complied with the reporting requirements of SAS 99, <i>Consideration of Fraud in a Financial Statement Audit</i> , paragraphs 79–82? [AU 316.79–.82]	_____	_____	_____
32. Has the auditor adequately informed those charged with governance with respect to illegal acts that come to the auditor’s attention? [AU 317.17]	_____	_____	_____
33. 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?	_____	_____	_____
<ul style="list-style-type: none"> <li>a. Did the auditor consider how the client’s actions in response to such communication relate to other aspects of the audit, including the potential effect on the financial statements and on the auditor’s report on those financial statements? [AU 801.22–.23]</li> </ul>	_____	_____	_____

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## 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.<sup>1</sup> The Single Audit Act Amendments of 1996 (the Single Audit Act) and Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (Circular A-133), require a single or program-specific audit for entities that expend \$500,000 or more of federal awards in a fiscal year. The Single Audit Act requires single audits and program-specific audits of federal awards to be performed in accordance with *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 Web site at [www.whitehouse.gov/omb/grants/grants\\_circulars.html](http://www.whitehouse.gov/omb/grants/grants_circulars.html). The AICPA issues an annual Audit Risk Alert *Government Auditing Standards and Circular A-133 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

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<sup>1</sup> 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 information contained in this checklist is based on the 2003 Version of *Government Auditing Standards*. The Government Accountability Office (GAO) has issued *Government Auditing Standards—2007 revision*, which is effective for audits of periods beginning on or after January 1, 2008. Changes due to the 2007 revision will be incorporated into future editions of this checklist.)

*Auditing Recipients of Federal Awards: Practical Guidance for Applying OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.*

.04 The Public Company Accounting Oversight Board (PCAOB) establishes standards for audits of *issuers*, as that term is defined by the Sarbanes-Oxley Act of 2002 (the Act) or whose audit is prescribed by the rules of the Securities and Exchange Commission (SEC). Other entities are referred to as *nonissuers*. Because state and local governments are nonissuers, this checklist does not address PCAOB standards. However, while not common, the auditor may be engaged to audit and report on the effectiveness of a state or local government’s internal control over financial reporting in accordance with PCAOB auditing standards. In those cases, the auditor should modify this checklist considering the guidance in PCAOB standards, the GAO Internet Notice at [www.gao.gov/govaud/ybk01.htm](http://www.gao.gov/govaud/ybk01.htm) titled *Guidance on Complying with Government Auditing Standards Reporting Requirements for the Report on Internal Control for Audits of Certain Entities Subject to the Requirements of the Sarbanes-Oxley Act of 2002 and Government Auditing Standards*, and Auditing Interpretation 18, AU section 9508.89–92, “Reference to PCAOB Standards in an Audit Report on a Nonissuer,” as well as the discussion in the Notice to Readers and Appendix A to Chapter 4 of the AICPA Audit Guide *Government Auditing Standards and Circular A-133 Audits*.

.05 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.

.06 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-SLA, 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-SLA, 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:<sup>2</sup>
  - a. A statement that the audit was conducted in accordance with the standards applicable to financial audits contained in *Government*

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<sup>2</sup> 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 AU 623. [AAG-SLA, par. 4.21h]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>Auditing Standards</i> , issued by the Comptroller General of the United States? <sup>3</sup> [GAS, par. 5.05; AAG-SLA, 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 <i>Government Auditing Standards</i> , <sup>4</sup> which includes:			
(1) A statement that the purpose of that report is to describe the scope of testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance? <sup>5</sup>	_____	_____	_____
(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-SLA, 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-SLA, 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-SLA, pars. 4.37 –.38]	_____	_____	_____
<b>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></b>			
5. Does the auditor's report on internal control over financial reporting and on compliance and other matters conform to the standard report language illustrated in AAG-SLA? [AAG-SLA, Examples 4-3–4-4 in App. A (par. 4.51)]	_____	_____	_____

<sup>3</sup> 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-SLA, par. 4.21d]

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

<sup>5</sup> 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 in the *Government Auditing Standards* report. [AAG-SLA, pars. 4.04b and 4.21i]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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-SLA, par. 4.26a and Examples 4-3-4-4 in App. A (par. 4.51)]	_____	_____	_____
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? <sup>6</sup>	_____	_____	_____
c. A statement that in planning and performing the audit, the auditor considered the auditee’s internal control over financial reporting in order to determine the auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide an opinion on the internal control over financial reporting; and accordingly, do not express an opinion on the effectiveness of the Entity’s internal control over financial reporting? <sup>7</sup>	_____	_____	_____
d. The definition of control deficiency and significant deficiency? If applicable, a statement that deficiencies were identified that are considered to be significant deficiencies in internal control over financial reporting?	_____	_____	_____
e. A statement that the auditor’s consideration of internal control over financial reporting would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. If significant deficiencies are identified, a statement that certain deficiencies in internal control over financial reporting were identified that the auditor considers to be significant deficiencies?	_____	_____	_____
f. If applicable, a description of the significant deficiencies identified (including the views of responsible officials and their planned corrective action) or a reference to a separate schedule in which the significant deficiencies, views of responsible officials, and their planned corrective action are described? <sup>8</sup>	_____	_____	_____
g. The definition of a material weakness?	_____	_____	_____
h. If no significant deficiencies are identified, a statement that no material weaknesses were identified. If significant deficiencies are identified, a statement that the auditor’s consideration of internal			

<sup>6</sup> See footnote 3. [GAS, par. 3.05; AAG-SLA, par. 4.26b]

<sup>7</sup> 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-SLA, par. 4.26c]

<sup>8</sup> 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-SLA, pars. 4.26f and 12.17]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
control over financial reporting would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. A statement about whether the auditor believes any of the significant deficiencies identified are material weaknesses and, if they are, that identifies which significant deficiencies are considered material weaknesses? <sup>9</sup>	_____	_____	_____
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? <sup>10</sup>	_____	_____	_____
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 in which the noncompliance and other matters, views of responsible officials, and their planned corrective action are described? <sup>11</sup> If applicable, a statement that the auditor did not audit the auditee's response and, accordingly, expresses no opinion on it? [AAG-SLA, par. 4.26]	_____	_____	_____
l. If applicable, a statement that additional matters were communicated to the auditee in a management letter? [AAG-SLA, pars. 4.26l, 4.35, and Examples 4-3-4-4 in App. A (par. 4.51)]	_____	_____	_____
m. A separate paragraph at the end of the report stating that the report is intended solely for the information and use of the management, [identify the body or individuals charged with governance], others within the entity, and [identify any specified legislative or regulatory body] <sup>12</sup> and is not intended to be and should not be used by anyone other than these specified parties? <sup>13</sup>	_____	_____	_____
n. The manual or printed signature of the auditor's firm?	_____	_____	_____

<sup>9</sup> In reporting significant deficiencies, the auditor should identify those that are individually or in the aggregate material weaknesses. [GAS, par. 5.14; AAG-SLA, par. 4.08]

<sup>10</sup> 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-SLA, par. 4.26j]

<sup>11</sup> See footnote 8. [AAG-SLA, par. 4.26k]

<sup>12</sup> For an audit in accordance with Circular A-133, this reference should include federal awarding agencies and, if applicable, pass-through entities. [AAG-SLA, pars. 4.26m and 12.17]

<sup>13</sup> This paragraph conforms to AU 532, *Restricting the Use of an Auditor's Report*. See AU 532 for additional guidance on restricted-use reports. [AAG-SLA, par. 4.26m]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
o. The date of the auditor’s report? [AAG-SLA, par. 4.26]	_____	_____	_____
7. Does the report carry the same date as the report on the financial statements? [AAG-SLA, 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-SLA, pars. 4.37 and 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-SLA, 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-SLA, 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? (The reporting in one section of the report or schedule may be in summary form with a reference to a detailed reporting in the other section.) [AAG-SLA, 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 significant deficiency in internal control? (Auditors should present or refer to findings of fraud and abuse that represent significant deficiencies in internal control in the internal control section.) [AAG-SLA, par. 4.29]	_____	_____	_____
13. Do the reported findings include all identified deficiencies in internal control over financial reporting considered to be significant deficiencies and all fraud and illegal acts (unless clearly inconsequential), <sup>14</sup> and material violations of provisions of contracts or grant	_____	_____	_____

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<sup>14</sup> 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. That is because those findings already are reported in the Circular A-133 report and reporting findings that are not material to the financial statements again in the *Government Auditing Standards* report would be unnecessarily duplicative. [AAG-SLA, pars. 4.15, 12.16, and 12.33]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
agreements and material abuse that has occurred or is likely to have occurred? <sup>15, 16</sup> [GAS, par. 5.12; AAG-SLA, pars. 4.04c, 4.08, 4.15–.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-SLA, par. 4.20]	_____	_____	_____
14. Does each finding include a reference number? (For example, findings identified and reported in the audit of fiscal year 20X1 could be assigned reference numbers 20X1-1, 20X1-2, and so forth.) [AAG-SLA, 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-SLA, 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-SLA, 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-SLA, par. 4.31]	_____	_____	_____
17. Does the auditor's report include the views of responsible officials concerning the findings, conclusions, and recommendations, as well as planned corrective actions? <sup>17, 18</sup> [GAS, par. 5.26; AAG-SLA, 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-SLA, par. 4.33]	_____	_____	_____

<sup>15</sup> 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-SLA, par. 4.04c]

<sup>16</sup> *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.

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

<sup>18</sup> 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-SLA, par. 4.34]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<b>Other Reporting and Communication Considerations</b>			
18. Does the management letter communicate the following unless clearly inconsequential—deficiencies in internal control that are not significant deficiencies, immaterial violations of provisions of contracts or grant agreements, and immaterial abuse? <sup>19</sup> [GAS, pars. 5.16 and 5.20; AAG-SLA, 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-SLA, par. 4.36]	_____	_____	_____
b. Does the management letter not include personal identification or other potentially sensitive matters? [AAG-SLA, par. 4.49]	_____	_____	_____
19. Has the auditor used professional judgment to determine whether and how to communicate to auditee officials deficiencies in internal control, fraud, illegal acts, violations of provisions of contracts or grant agreements, and abuse that are clearly inconsequential? <sup>20</sup> [GAS, pars. 5.16 and 5.20; AAG-SLA, 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 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–.25; AAG-SLA, pars. 4.18–.20]	_____	_____	_____
21. In addition to the communications required by GAAS, has the auditor communicated the following information regarding his or her planned work and reporting related to testing internal control over financial reporting and compliance with laws, regulations, and provisions of contracts or grant agreements preferably in a writing such as the engagement letter, to 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			

<sup>19</sup> 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-SLA, pars. 4.35 and 12.25]

<sup>20</sup> 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. [AU 316.79; AAG-SLA, pars. 4.11 and 4.35]



	<u>Yes</u>	<u>No</u>	<u>N/A</u>
over financial reporting or on compliance with laws, regulations, and provisions of contracts or grant agreements?	_____	_____	_____
c. A contrasting of the responsibilities in Questions <i>a</i> and <i>b</i> above with other audits of internal control and compliance?	_____	_____	_____
d. Potential restrictions on the auditor's reports? [GAS, pars. 4.06–.13; AAG-SLA, pars. 2.18–.19]	_____	_____	_____
e. Additional relevant topics, such as the auditor's fieldwork and reporting responsibilities for fraud and abuse? [AAG-SLA, 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-SLA, par. 2.20]	_____	_____	_____
23. If the auditor is:			
<i>a.</i> A government auditor, does the auditor submit the auditor's reports to the appropriate officials of the audited entity, appropriate officials of the organizations requiring or arranging for the audits (unless legal restrictions prevent it), and other officials who have legal oversight authority or who may be responsible for acting on audit findings and recommendations and to others authorized to receive such reports?	_____	_____	_____
<i>b.</i> A nongovernment auditor, does the auditor clarify report distribution responsibilities with the party contracting for the audit and follow the agreements reached? [GAS, par. 5.34; AAG-SLA, 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-SLA, par. 4.04f]	_____	_____	_____

**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: <sup>21</sup>			
<i>a.</i> A report on the supplementary schedule of expenditures of federal awards?	_____	_____	_____
<i>b.</i> A report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with Circular A-133?	_____	_____	_____
<i>c.</i> A schedule of findings and questioned costs? [A-133, sec. 505; AAG-SLA, par. 12.07]	_____	_____	_____

<sup>21</sup> 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>
<b>Report on the Supplementary Schedule of Expenditures of Federal Awards</b>			
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-SLA, 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-SLA, 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-SLA? [AAG-SLA, par. 12.13 and 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-SLA, par. 12.12 and 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-SLA, pars. 12.10, 12.12, and Example 12-1 in App. A (par. 12.54)]	_____	_____	_____
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-SLA, pars. 12.26–.28]	_____	_____	_____
f. Consider the effect of any modifications to the report on the basic financial statements? [AAG-SLA, par. 12.14]	_____	_____	_____
5. If the report on the schedule is issued as a stand-alone report, is the guidance of 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-SLA, par. 12.28]	_____	_____	_____
<b>Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With Circular A-133</b>			
6. Does the report conform to the standard report language illustrated in AAG-SLA? [AAG-SLA, Examples 12-1–12-4 in App. A (par. 12.54)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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?	_____	_____	_____
h. A statement that the audit does not provide a legal determination of the auditee's compliance with those requirements?	_____	_____	_____
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)?	_____	_____	_____
j. An opinion on whether the auditee complied, in all material respects, with the types of compliance requirements that are applicable to each of its major federal programs?	_____	_____	_____
k. If applicable, a statement that the results of the auditing procedures disclosed instances of noncompliance that are required to be reported in accordance with Circular A-133 and a reference to the schedule of findings and questioned costs in which they are described?	_____	_____	_____
l. A statement that the auditee's management is responsible for establishing and maintaining effective internal control over compliance	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
with requirements of laws, regulations, contracts, and grants applicable to federal programs?	_____	_____	_____
m. A statement that in planning and performing the audit, the auditor considered the auditee’s internal control over compliance with requirements that could have a direct and material effect on a major federal program, to determine the auditing procedures for the purpose of expressing an opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance?	_____	_____	_____
n. The definition of control deficiency and significant deficiency. If applicable, a statement that deficiencies were identified that are considered to be significant deficiencies in internal control over compliance?	_____	_____	_____
o. If applicable, a reference to a description of the significant deficiencies identified in the accompanying schedule of findings and questioned costs, including the reference number of the finding(s)?	_____	_____	_____
p. If no significant deficiencies are identified, 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 significant deficiencies or material weaknesses; if the significant deficiencies are identified, 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 significant deficiencies or material weaknesses and a statement that certain deficiencies were identified that are considered to be significant deficiencies (and, if applicable, material weaknesses)?	_____	_____	_____
q. The definition of a material weakness?	_____	_____	_____
r. If applicable, a statement about whether the auditor believes any of the significant deficiencies identified 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 significant deficiencies identified, a statement should be made that no material weaknesses were identified)?	_____	_____	_____
s. If applicable, a statement that the auditee’s response to findings identified in the audit are described in the accompanying schedule of findings and questioned costs, and that the auditor did not audit the auditee’s response and, accordingly, expresses no opinion on it?	_____	_____	_____
t. A separate paragraph at the end of the report stating that the report is intended solely for the information and use of [identify the body or individuals charged with governance], others within the entity, [identify the specified legislative or regulatory body], federal awarding agencies, and (if applicable) pass-through entities and is not intended to be and should not be used by anyone other than these specified parties? <sup>22</sup>	_____	_____	_____
u. The manual or printed signature of the auditor’s firm?	_____	_____	_____

<sup>22</sup> See footnote 13. [AAG-SLA, par. 12.23s]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
v. The date of the auditor's report? [AAG-SLA, 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-SLA, par. 12.19]	_____	_____	_____
9. Have scope limitations on the auditor's testing of an auditee's compliance with laws, regulations, and the provisions of contracts or grant agreements been considered in the opinion on compliance with requirements applicable to each major program? [AAG-SLA, pars. 12.20-.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-SLA, pars. 12.19-.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-SLA, par. 12.36]	_____	_____	_____
12. Is the report dated the same as or later than the date of the auditors' report on the financial statements?	_____	_____	_____
a. If the report is dated later than the date of the auditor's report on the financial statements, have appropriate subsequent events procedures been performed? [AAG-SLA, 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-SLA, 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-SLA, par. 12.29]	_____	_____	_____

**Schedule of Findings and Questioned Costs**

15. Does the report conform to the standard report language illustrated in AAG-SLA? [AAG-SLA, 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 either omit the other sections or include them, indicating that no matters were reported.) [AAG-SLA, par. 12.40]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
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-SLA, par. 12.31]	_____	_____	_____
18. Does the summary of auditor’s result include:			
a. The type of report the auditor issued on the financial statements of the auditee (that is, unqualified opinions, qualified opinions, adverse opinions, or disclaimers of opinion)? (Because the auditor generally expresses or disclaims an opinion on a government’s basic financial statements by providing an opinion or disclaimer of opinion on each opinion unit required to be presented in those financial statements, the schedule of findings and questioned costs may need to indicate multiple types of opinions on a government’s basic financial statements.)	_____	_____	_____
b. Where applicable, a statement that significant deficiencies in internal control were disclosed by the audit of the financial statements and whether any such deficiencies 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 significant deficiencies in the internal control over major programs were disclosed by the audit and whether any such deficiencies were material weaknesses?	_____	_____	_____
e. The type of report the auditor issued on compliance for major programs (that is, unqualified opinion, qualified opinion, adverse opinion, or disclaimer of opinion)? (If the audit report for one or more major programs is other than unqualified, indicate the type of report issued for each program.)	_____	_____	_____
f. A statement on whether the audit disclosed any audit findings that the auditor is required to report under Circular A-133? (See Question 20 below.)	_____	_____	_____
g. An identification of major programs?	_____	_____	_____
h. The dollar threshold used to distinguish between type A and type B programs?	_____	_____	_____
i. A statement on whether the auditee qualified as a low-risk auditee? [AAG-SLA, 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-SLA, par. 12.36]	_____	_____	_____
20. Are the following reported as audit findings related to federal awards:			
a. Significant deficiencies and material weaknesses in internal control over major programs? (The auditor should identify significant			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
deficiencies that are individually or cumulatively material weaknesses.)	_____	_____	_____
b. Material noncompliance with the provisions of laws, regulations, contracts, or grant agreements related to a major program?	_____	_____	_____
c. Known questioned costs that are greater than \$10,000 for a type of compliance requirement for a major program?	_____	_____	_____
d. Known questioned costs when likely questioned costs are greater than \$10,000 for a type of compliance requirement for a major program?	_____	_____	_____
e. Known questioned costs that are greater than \$10,000 for programs that are not audited as major?	_____	_____	_____
f. The circumstances concerning why the auditor's report on compliance for major programs is other than an unqualified opinion, if not otherwise reported as an audit finding?	_____	_____	_____
g. Known fraud affecting a federal award, if not otherwise reported as an audit finding? (An audit finding is not required if the fraud was reported outside the entity as required by GAS.) [A-133, sec. 510(a); AAG-SLA, 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-SLA, pars. 12.35 and 12.42]	_____	_____	_____
i. Abuse involving federal awards that is material to a major program? [AAG-SLA, 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-SLA, 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? <sup>23</sup>	_____	_____	_____
c. The criteria or specific requirement upon which the audit finding is based, including the statutory, regulatory, or other citation?	_____	_____	_____
d. The condition found, including facts that support the deficiency identified in the audit finding?	_____	_____	_____
e. Identification of questioned costs and how they were computed?	_____	_____	_____
f. Information to provide a proper perspective for judging the prevalence and consequences of the audit findings? <sup>24</sup>	_____	_____	_____

<sup>23</sup> 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. (Chapter 7 of AAG-SLA discusses an alternative for presentation if a CFDA number is not available.) [A-133, sec. 510(b)(1); AAG-SLA, par. 12.37a]

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

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
g. The possible asserted effect to provide sufficient information to the auditee and Federal agency, or pass-through entity in the case of a subrecipient, to permit them to determine the cause and effect to facilitate prompt and proper corrective action?	_____	_____	_____
h. Recommendations to prevent future occurrence of the deficiency? [A-133, sec. 510(b); AAG-SLA, 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-SLA, 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); AAG-SLA, 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? (An alternative is to report the finding in one section of the schedule in summary form, with a reference to a detailed reporting in the other section of the schedule.) [A-133, sec. 505(d)(3)(ii); AAG-SLA, 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 significant deficiency in internal control? (Auditors should present findings of abuse that represent significant deficiencies in internal control in the internal control section.) [AAG-SLA, 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? <sup>25</sup> [AAG-SLA, 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 auditor's reasons for disagreeing with the comments or planned corrective actions? [A-133, sec. 510(b)(8); AAG-SLA, 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-SLA, par. 12.53]	_____	_____	_____

<sup>25</sup> See footnote 18.



	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<b>Data Collection Form<sup>26</sup></b>			
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-SLA, 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(c); AAG-SLA, 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-SLA, 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: <sup>27,28</sup>			
a. A report on the federal program's financial statements that provides an opinion or disclaimer of opinion on the financial statements?	_____	_____	_____
b. A report on compliance with requirements applicable to the federal program and on the internal control over compliance in accordance with the program-specific audit option under Circular A-133?	_____	_____	_____
c. A schedule of findings and questions costs for the federal program? [A-133, sec. 235(b)(4); AAG-SLA, pars. 13.07–13.09]	_____	_____	_____

<sup>26</sup> 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 form 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-SLA, par. 12.46]

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

<sup>28</sup> See footnote 21.

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
33. Do the reports conform to the standard report language illustrated in AAG-SLA? [AAG-SLA, Example 12-5 in App. A (par. 12.54) and Examples 13-1–13-2 in App. A (par. 13.16)]	_____	_____	_____

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# **FSP Section 13,400**

## ***Illustrative Financial Statements***

.01 The following illustrative financial statements demonstrate financial statement formats and disclosures appropriate for state and local governments. These illustrations are not intended to represent the only appropriate presentation and disclosure formats, however. State and local governments are urged to develop financial statement formats that are appropriate for their individual circumstances while being consistent with the accounting and reporting practices promulgated. Furthermore, the illustrative financial statements do not include all disclosures and presentation items promulgated. The AICPA gratefully acknowledges the City of Oklahoma City, Oklahoma, Office of the City Manager for their contribution of the use of their Comprehensive Annual Financial Report for the year ended June 30, 2006, upon which the illustrative financial statements in this publication are based.

The checklists and illustrative financial statements do not include all disclosures and presentation items promulgated.

.02

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*for the fiscal year ended June 30, 2006*

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

.03 Within this section of the City of Durham City (city) annual financial report, the city's management provides narrative discussion and analysis of the financial activities of the city for the fiscal year ended June 30, 2006. The city's financial performance is discussed and analyzed within the context of the accompanying

financial statements and disclosure following this section. Additional information is available in the transmittal letter which precedes Management's Discussion and Analysis. The discussion focuses on the city's primary government and, unless otherwise noted, component units reported separately from the primary government are not included. Dollars are reported in thousands, except as indicated.

## Financial Summary (dollars are in thousands)

.04

- The city's assets exceeded its liabilities by \$1,976,609 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$1,867,520.
- Total net assets comprise the following:
  - (1) Capital assets, net of related debt, of \$1,406,302 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
  - (2) Net assets of \$474,379 are restricted by constraints imposed from outside the city such as debt covenants, grantors, laws, or regulations.
  - (3) Unrestricted net assets of \$95,928 represent the portion available to maintain the city's continuing obligations to citizens and creditors.
- The city's governmental funds reported total ending fund balance of \$460,714 this year. This compares to the prior year ending fund balance of \$411,200 showing an increase of \$49,514 during the current year. Unreserved fund balance of \$376,994 for fiscal year 2006 shows a \$20,109 increase over the prior year.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$85,265, or 28 percent of total General Fund expenditures including transfers and 27 percent of total General Fund revenues including transfers.
- Total liabilities of the city increased by \$91,896 to \$1,246,928 during the fiscal year. General obligation bonds issued for capital improvements during the fiscal year were \$80 million.

## Overview of the Financial Statements

.05 *Management's Discussion and Analysis* introduces the city's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The city also includes in this report additional information to supplement the basic financial statements.

### *Government-Wide Financial Statements*

.06 The city's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the city's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Assets*. This is the city-wide statement of financial position presenting information that includes all of the city's assets and liabilities, with the difference reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the city as a whole is improving or deteriorating. Evaluation of the overall economic health of the city would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of city infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the city's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the city's distinct activities or functions on revenues provided by the city's taxpayers. Both government-wide financial statements distinctively report governmental activities of the city that are principally supported by taxes and intergovernmental revenues, such as grants, and business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, public services, culture and recreation, and education. Business-type activities include airports, water utilities, solid waste management, stormwater drainage, golf courses, fairgrounds, ground transportation, and parking. Fiduciary activities such as employee pension plans are not included in the government-wide statements since these assets are not available to fund city programs.

The city's financial reporting entity includes the funds of the city (primary government) and organizations for which the city is accountable (component units). Most of these legally separate organizations operate like city departments, serve as financing vehicles for city services (revenue bond issuers), or are governed by a board of trustees wholly comprised of the city's mayor and council. These organizations are blended into the primary government for financial reporting purposes. Examples of blended organizations reported as city funds include the Durham City Water Utilities Trust and the Durham City Public Property Authority. Others operate more independently or provide services directly to the citizens though the city remains accountable for their activities. These organizations, such as the Central Oklahoma Transportation and Parking Authority and the Durham City Zoological Trust, are reported separately from the primary government though included in the city's overall reporting entity. A schedule at the close of *Management's Discussion and Analysis* lists the city's component units. More comprehensive information about the city's component units can be found in note I. B. 1.

### ***Fund Financial Statements***

.07 A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The city uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the city's most significant funds rather than the city as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for nonmajor funds is provided in the form of combining statements in a later section of this report.

The city has three kinds of funds:

*Governmental funds* are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is different with fund statements reporting short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

*Proprietary funds* are reported in the fund financial statements and generally report services for which the city charges customers a fee. There are two kinds of proprietary funds. These are enterprise funds and internal service funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the city organization such as water utilities and the city golf

courses. Internal service funds provide services and charge fees to customers within the city organization such as fleet services (repair and maintenance of city vehicles) and the print shop (mail and printing services for city departments). Because the city's internal service funds primarily serve governmental functions, they are included within the governmental activities of the government-wide financial statements.

Proprietary fund statements and statements for discretely presented component units (reporting is similar to proprietary funds) provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail for major enterprise funds and individual component units. Individual fund information for internal service funds and nonmajor enterprise funds is found in combining statements in a later section of this report.

*Fiduciary funds* such as the employee pension plans are reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund city programs. Fiduciary fund financial statements report similarly to proprietary funds.

#### *Notes to the Financial Statements*

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

#### *Other Information*

**.08** In addition to the basic financial statements and accompanying notes, this report also presents certain *Required Supplementary Information* concerning budgetary comparison information and the city's progress in funding its obligation to provide pension benefits to its employees. Budgetary comparison schedules are included for the General Fund and major special revenue fund. These schedules demonstrate compliance with the city's adopted and final revised budget.

### **Financial Analysis of the City as a Whole (dollars are in thousands)**

**.09** As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the city as a whole.

The city's net assets at fiscal year-end are \$1,976,609. This is a \$109,089 increase over last year's net assets of \$1,867,520. The following table provides a summary of the city's net assets at June 30:

**Summary of Net Assets**  
*(dollars are in thousands)*

	Governmental Activities		Business-Type Activities		Totals		Amount Change	% Change
	2006	2005	2006	2005	2006	2005		
Current and other assets	\$ 616,127	\$ 524,444	\$ 360,881	\$ 412,796	\$ 977,008	\$ 937,240	\$ 39,768	4.2%
Capital assets	1,048,698	966,434	1,197,831	1,118,878	2,246,529	2,085,312	161,217	7.7
<b>Total assets</b>	<b>1,664,825</b>	<b>1,490,878</b>	<b>1,558,712</b>	<b>1,531,674</b>	<b>3,223,537</b>	<b>3,022,552</b>	<b>200,985</b>	<b>6.6</b>
Long-term liabilities	481,004	399,665	536,171	555,643	1,017,175	955,308	61,867	6.5
Other liabilities	149,328	119,051	80,425	80,673	229,753	199,724	30,029	15.0
<b>Total liabilities</b>	<b>630,332</b>	<b>518,716</b>	<b>616,596</b>	<b>636,316</b>	<b>1,246,928</b>	<b>1,155,032</b>	<b>91,896</b>	<b>8.0</b>
Net assets:								
Invested in capital assets, net of related debt	613,911	586,785	792,391	737,647	1,406,302	1,324,432	81,870	6.2
Restricted	265,373	258,764	209,006	167,389	474,379	426,153	48,226	11.3
Unrestricted (deficit)	155,209	126,613	(59,281)	(9,678)	95,928	116,935	(21,007)	(18.0)
<b>Total net assets</b>	<b>\$1,034,493</b>	<b>\$ 972,162</b>	<b>\$ 942,116</b>	<b>\$ 895,358</b>	<b>\$1,976,609</b>	<b>\$1,867,520</b>	<b>\$109,089</b>	<b>5.8</b>



The city reported positive balances in net assets for both governmental and business-type activities. Net assets increased \$62,331 for governmental activities and \$46,758 for business-type activities. The city's overall financial position improved during fiscal year 2006.

Governmental activities realized benefits from city voter approval on March 14, 2000, of a temporary (32 months), dedicated one-half cent sales tax to fund essential public safety equipment. On December 12, 2000, citizens approved a \$340.4 million authorization for general obligation bonds for capital improvements and the associated property taxes to fund debt service on the bonds. Both of these major programs will span several years but began in earnest during the 2001 fiscal year and produced a significant impact on the city's 2006 and 2005 fiscal year activities. On November 13, 2001, city voters approved a special purpose sales tax for the improvement of public school systems serving students residing within the corporate limits of the city. The tax became effective January 1, 2002, and will continue until January 1, 2009. The tax progressed from one-half percent initially to one percent beginning April 1, 2003. The Durham City Metropolitan Area Public Schools Trust (DCMAPS) was established with cooperative trusteeship between the public school districts and the city. DCMAPS administers the sales tax levied by the city for the benefit of designated public schools.

The U.S. Corps of Engineers completed its work on the Oklahoma River in 2005 and transferred approximately \$15 million of river-related capital assets to the city. These included dams, locks, and river basin improvements. For fiscal year 2005, substantial grant revenue and contributions included Federal Aviation Authority (airport improvements), Department of Commerce (economic development), and increased contributions to the Police and Firefighter Pension Plans by the State of Oklahoma. These programs increased revenues by approximately \$14 million. As one-time grants or revenue sources, this revenue showed substantial decline in fiscal year 2006.

The national economic recovery strengthened revenues, particularly sales taxes funding basic services. The city's governmental activities rely heavily on sales tax. Use tax, a companion to sales tax, was similarly affected by the economic recovery. Revenue exceeded projections for 2005 and 2006 as a result of the national economic recovery, as discussed. However, operating expenses continue to escalate. The city continued cost-control efforts to address operating costs particularly in the area of personnel costs, continuing a hiring slow-down carried over from 2005–2006. In 2005 and 2006, the economy continues to improve at a moderate pace; however, rising costs continue to be a concern. See the discussion of Major Governmental Funds and General Fund Budgetary Highlights.

Business-type activities realized continuing benefits from cost of service and rate design programs for utility services. A cost of service and rate study was completed in fiscal year 2004. New rates under this study took effect on October 1 of 2005 and 2006 under a gradual phased-in plan. In fiscal years 2005 and 2006, expected increases in utility revenues were realized. See the discussion of Major Proprietary Funds.

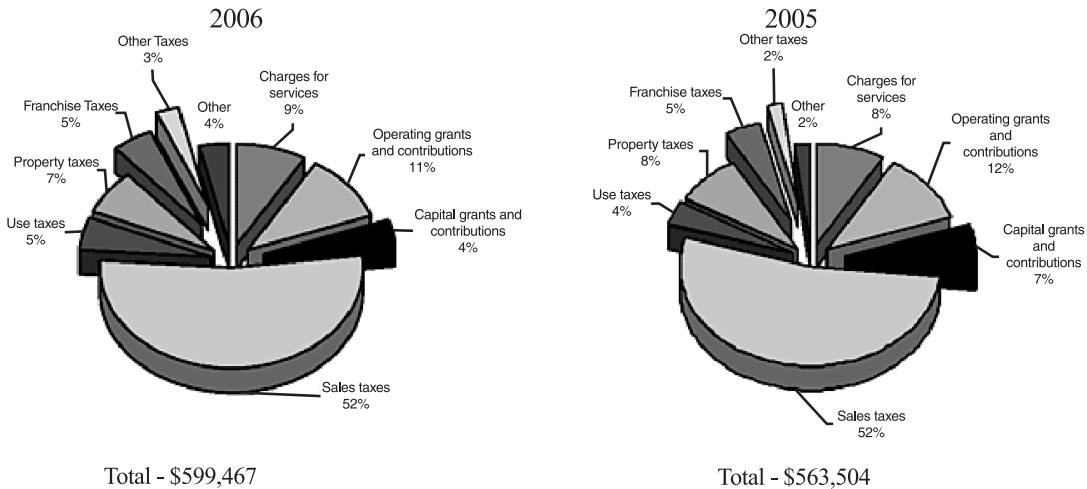
Comparative data is accumulated and presented to assist analysis. The following table provides a summary of the city's changes in net assets for the year ended June 30:

**Summary of Changes in Net Assets**  
*(dollars are in thousands)*

	Governmental Activities		Business-Type Activities		Totals		Amount Change	% Change
	2006	2005	2006	2005	2006	2005		
<b>Revenues:</b>								
Program revenues:								
Charges for services	\$ 51,699	\$ 46,912	\$ 228,497	\$ 208,555	\$ 280,196	\$ 255,467	\$ 24,729	9.7%
Operating grants and contributions	64,487	63,895	19,681	16,648	84,168	80,543	3,625	4.5
Capital grants and contributions	21,459	38,664	34,406	31,401	55,865	70,065	(14,200)	(20.3)
General revenues								
Sales taxes	318,823	294,029	—	—	318,823	294,029	24,794	8.4
Use taxes	30,916	27,488	—	—	30,916	27,488	3,428	12.5
Property taxes	43,231	45,464	—	—	43,231	45,464	(2,233)	(4.9)
Franchise taxes (fees)	30,677	25,903	—	—	30,677	25,903	4,774	18.4
Other taxes	16,871	9,838	—	—	16,871	9,838	7,033	71.5
Other	21,304	11,311	—	—	21,304	11,311	9,993	88.3
<b>Total revenues</b>	<b>\$ 599,467</b>	<b>\$ 563,504</b>	<b>\$ 282,584</b>	<b>\$ 256,604</b>	<b>\$ 882,051</b>	<b>\$ 820,108</b>	<b>\$ 61,943</b>	<b>7.6</b>
<b>Expenses:</b>								
General government	\$ 20,084	\$ 14,098	\$ —	\$ —	\$ 20,084	\$ 14,098	\$ 5,986	42.5%
Public safety	273,593	260,968	—	—	273,593	260,968	12,625	4.8
Public services	94,323	77,897	—	—	94,323	77,897	16,426	21.1
Culture and recreation	51,051	38,734	—	—	51,051	38,734	12,317	31.8
Education	82,288	75,953	—	—	82,288	75,953	6,335	8.3
Interest on long-term debt	16,949	15,673	—	—	16,949	15,673	1,276	8.1
Airports	—	—	52,718	50,215	52,718	50,215	2,503	5.0
Water utilities	—	—	127,702	119,455	127,702	119,455	8,247	6.9
Solid waste management	—	—	30,416	27,760	30,416	27,760	2,656	9.6
Stormwater drainage	—	—	10,850	9,780	10,850	9,780	1,070	10.9
Golf courses	—	—	8,745	8,786	8,745	8,786	(41)	(.5)
Fairgrounds	—	—	2,503	617	2,503	617	1,886	305.7
Ground transportation	—	—	1,396	1,299	1,396	1,299	97	7.5
Parking	—	—	344	420	344	420	(76)	(18.1)
<b>Total expenses</b>	<b>538,288</b>	<b>483,323</b>	<b>234,674</b>	<b>218,332</b>	<b>772,962</b>	<b>701,655</b>	<b>71,307</b>	<b>10.2</b>
Increase in net assets before transfers	61,179	80,181	47,910	38,272	109,089	118,453	(9,364)	(7.9)
Transfers	1,152	2,847	(1,152)	(2,847)	—	—	—	—
<b>Change in net assets</b>	<b>62,331</b>	<b>83,028</b>	<b>46,758</b>	<b>35,425</b>	<b>109,089</b>	<b>118,453</b>	<b>48,226</b>	<b>11.3</b>
Beginning net assets	972,162	889,134	895,358	859,933	1,867,520	1,749,067	48,226	—
<b>Ending net assets</b>	<b>\$ 1,034,493</b>	<b>\$ 972,162</b>	<b>\$ 942,116</b>	<b>\$ 895,358</b>	<b>\$ 1,976,609</b>	<b>\$ 1,867,520</b>	<b>\$ 1,867,520</b>	<b>—</b>

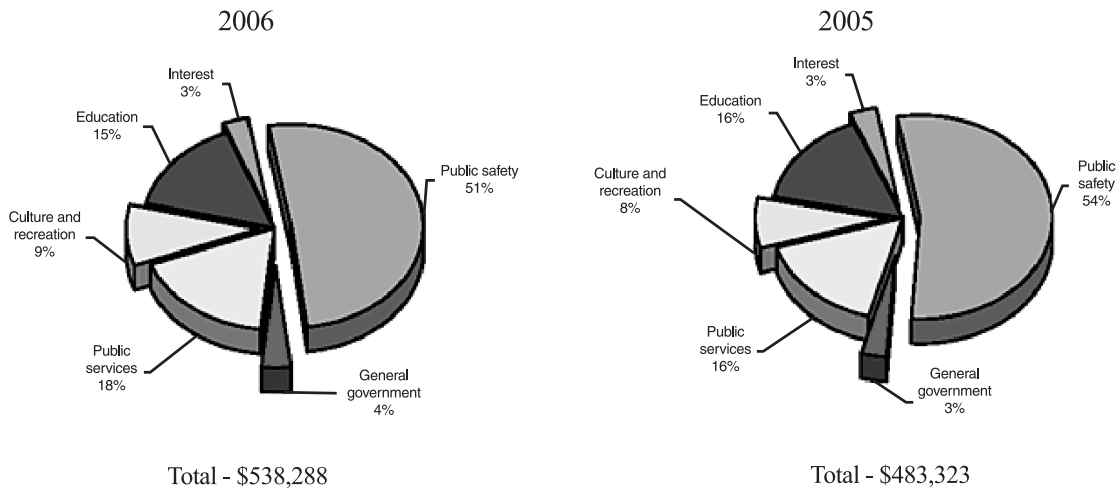
Graphic presentations of selected data from the summary tables follow to assist in the analysis of the city's activities for fiscal years 2006 and 2005.

**GOVERNMENTAL REVENUES**



As graphically portrayed above and discussed earlier, the city is heavily reliant on sales taxes to support governmental operations. Sales taxes provided 52 percent of the city's total governmental revenues in fiscal years 2006 and 2005.

**GOVERNMENTAL FUNCTIONAL EXPENSES**



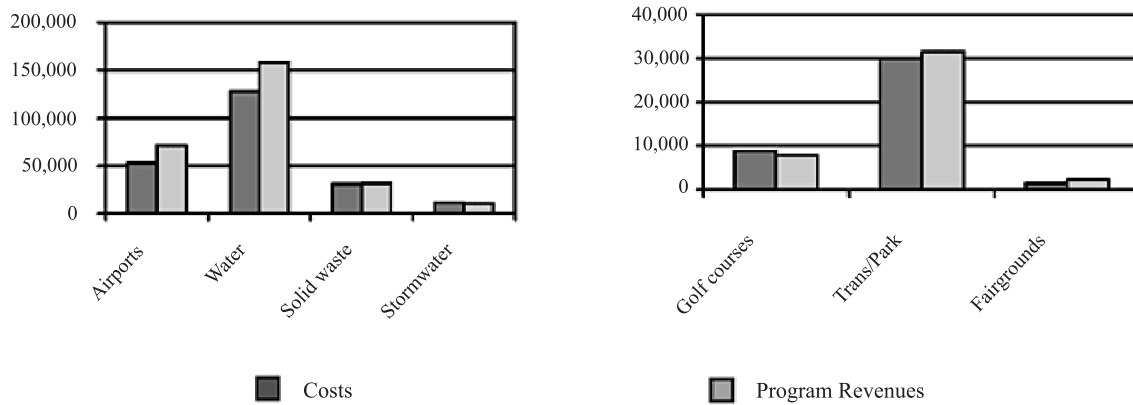
This graph shows the total governmental activities cost of \$538,288 for this year. Of this amount, public safety with \$131,985 in cost for police and \$119,742 in cost for fire was the largest operating service cost, at 51 percent of total cost of services in 2006, primarily funded by the city's taxing power. Public safety absorbed \$221,325 in taxes to citizens and other general revenues. Other governmental activities with significant tax-based funding include educational activities. The funds designated for the DCMAPS educational improvement activities continued to use significant tax-based funding. See *Financial Analysis of the City as a Whole*. It should be noted that public services expenses were significantly adjusted from the fund statements to the government-wide statements for the purchase and construction of capital assets for both 2006 and 2005. Overall

public services costs including capitalized costs increased between 2006 and 2005 with emphasis on projects funded by general obligation bonds. For the government-wide full accrual statements, capital outlay expenses are eliminated and capital assets reported. General government and culture and recreation costs reflect increased economic development activity.

**BUSINESS-TYPE ACTIVITIES**

**Revenues vs. Costs**

**year ended June 30, 2006**



For purposes of these graphs, Central Oklahoma Transportation and Parking Authority’s (COTPA) ground transportation and parking activities reported with component units are combined with ground transportation and parking activities reported with the primary government since these responsibilities are shared. Therefore, the graph will not correspond to the summary for the ground transportation and parking functions.

Business-type activities are shown comparing costs to revenues generated by related services. Airports, water utilities, solid waste management, and parking business-type activities are intended to be self-supporting with user charges and other revenues designed to recover costs, and ground transportation activities (mass transit) provide services with user charges that are not structured to recover costs. Golf courses and ground transportation regularly require subsidization by the city. Stormwater drainage charges did not fully recover depreciation associated with the significant investment in capital assets. Fairgrounds improvement revenue bonds were issued in fiscal year 2005 and contributed substantially to increased activity at fairgrounds facilities during fiscal year 2006.

**Financial Analysis of the City’s Funds (dollars are in thousands)**

*Governmental Funds*

.10 As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$460,714. Of this year-end total, approximately \$376,994 is unreserved indicating availability for continuing city service requirements. Reserved fund balances include: \$65,674 committed to liquidate encumbrances remaining from prior years, \$291 committed to programs addressing juvenile crime, and \$5,095 committed to the noncurrent Section 108 notes receivable, and \$12,660 committed to economic development in Grants Management.

**FSP \$13,400.10**

The total ending fund balances of governmental funds show an increase of \$36,684 over the prior year. This increase is primarily the result of the events and programs described within the analysis of the city's governmental activities.

#### *Major Governmental Funds*

The General Fund is the city's primary operating fund and the largest source of day-to-day service delivery. The fund balance of the General Fund increased by \$14,797. Key factors contributing to this increase include the improved sales tax collections and cost controls, as discussed. See *General Fund Budgetary Highlights* for more information.

The Debt Service and General Obligation Bonds Funds have fund balances of \$36,448 and \$206,437, respectively. This fiscal year included a net decrease of \$2,129 in the Debt Service Fund and a net increase of \$29,685 in the General Obligation Bonds Fund. The change in Debt Service net assets reflects the city's continuing commitment to time the issuance of debt with debt retirements to support the objective of maintaining level city property taxes. A key factor in achieving this objective is the counties' annual reassessment of city property values, which has been steadily rising over recent years. This favorable trend in property assessments has allowed the city to maintain an active general obligation bond program without substantially increasing property tax rates. General Obligation Bonds net assets increased with the receipt of proceeds from significant new bond issues. See the discussion of Long-term debt.

In fiscal year 2006, the city elected to transfer fiscal responsibilities for Workforce Investment Act grants to Oklahoma County but significantly increased participation in the Federal Section 108 loan program to support economic development. As a result, the Grants Management Fund reported a \$12,635 increase in fund balance for the current year. Also see discussion of significant grants in the Financial Analysis of the City as a Whole and note X. B.

As discussed in the Financial Analysis of the City as a Whole, the sales tax levied for the benefit of public schools is reported in the city and Schools Sales Tax Fund. Economic recovery has been a benefit to city sales taxes including this dedicated sales tax designated for public school improvements. These tax revenues are transferred from the city and Schools Sales Tax Fund to the DCMAPS Trust. Assets purchased or constructed in DCMAPS are transferred to the school district.

#### *Proprietary Funds*

.11 The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

#### *Major Proprietary Funds*

Durham City Water Utilities Trust (DCWUT), Water Utilities, and McGee Creek Authority (MCA) Funds share the financing and operations of the city's water utilities reported within this activity in the government-wide statements. Cost recovery efforts and the initiation of utility rate increases in October 2006 and 2005, as discussed in the *Financial Analysis of the City as a Whole* primarily contributed to the combined \$40,669 increase in net assets reported in these major funds. For more information, see *Economic Environment and Rates*.

The Durham City Airport Trust (DCAT) Fund shares the financing and operations of the city's three airports with the Airports Fund reported within the airports' activity in the government-wide statements. The presence of a major Federal Aviation Administration training facility substantially contributes to the financial performance of the city's primary airport. The DCAT Fund reported an increase in net assets of \$19,934 reflecting this continued positive financial performance. Additionally, significant improvements to the city's airports are in progress with additional funding provided by revenue bonds issued in recent years. See the discussion of *Capital Asset and Debt Administration*.

**General Fund Budgetary Highlights (dollars are in thousands)**

.12 The adopted General Fund budget for fiscal year 2006 was approximately \$289,000. This was an increase of \$13,000 over the previous year budget.

The General Fund adopted budget was amended four times during the 2006 fiscal year. The first amendment of approximately \$2,750 provided funding from fund balance for valid prior year encumbrances rolled over to the current fiscal year. The second amendment increased appropriations from fund balance by approximately \$4,000 in the General Fund to construct additional water spray grounds in city parks and increase funding for street resurfacing.

The third amendment appropriated sales and use taxes received in excess of projections, and reimbursements received from the Hornets basketball team. Approximately \$6,900 was appropriated in the General Fund for transfer to the Durham City Public Property Authority to fund costs associated with the Hornets basketball team, salary increases, and increased fuel and utility costs.

The fourth amendment increased estimated sales tax revenue based on higher than expected collections. The General Fund was increased by \$752 to fund higher utility costs for Police Department emergency management facility and to provide additional funding needed for a significant software upgrade.

The General Fund budget complied with financial policies approved by the city council and maintained core city services.

**Capital Asset and Debt Administration (dollars are in thousands)**

*Capital Assets*

.13 The city’s investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of June 30, 2006, was \$1,048,698 and \$1,197,831, respectively. The total increase in this net investment was 8.5 percent for governmental and 7.1 percent for business-type activities. The overall increase was 7.7 percent for the city as a whole. Major capital asset additions during the current fiscal year included general obligation bond projects undertaken on an accelerated schedule. General obligation and revenue bond projects with other capital projects provided major funding for the construction and acquisition of capital assets with \$156,643 invested during the year for governmental activities and \$240,634 in capital asset acquisition and construction by the city’s business-type activities. See note III. A. 3 for additional information about changes in capital assets during the fiscal year and construction commitments outstanding at the end of the year.

**Capital Assets**

**Net of Accumulated Depreciation  
(dollars are in thousands)**

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Totals</i>		<i>% Total Change</i>
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	
Non-Depreciable Assets:							
Land	\$ 55,901	\$ 54,425	\$ 61,249	\$ 52,570	\$ 117,150	\$ 106,995	9.5%
Construction in progress	163,238	108,246	148,821	149,643	312,059	257,889	21.0
Depreciable Assets:							
Buildings	282,253	288,099	295,274	260,762	577,527	548,861	5.2
Infrastructure and improvements other than buildings	481,201	464,748	670,269	636,811	1,151,470	1,101,559	4.5
Furniture, machinery, and equipment	66,105	50,916	22,218	19,092	88,323	70,008	26.2
<b>Total</b>	<b>\$1,048,698</b>	<b>\$966,434</b>	<b>\$1,197,831</b>	<b>\$1,118,878</b>	<b>\$2,246,529</b>	<b>\$2,085,312</b>	<b>7.7</b>

**FSP \$13,400.12**

*Long-term debt*

.14 At the end of the fiscal year, the city had total bonded debt outstanding of \$924,128. Of this amount, \$418,865 is backed by the full faith and credit of the city (general obligation bonds) with debt service fully funded by voter-approved property taxes. The other major component is \$505,263 supported by pledged revenues generated primarily by the business-type activities of the city (revenue bonds). During the current year, the city issued \$80,000 in general obligation bonds under the voter authorization discussed earlier in this report to fund infrastructure improvements. See note III. B. 2 for additional discussion. During fiscal year 2006, the Durham city Environment Assistance Trust issued \$8,410 in revenue bonds to fund facility improvements, and the Central Oklahoma Transportation and Parking Authority refunded \$24,835 to benefit from favorable changes in interest rates.

*Bond Ratings*

.15 Bond ratings are disclosed on the face of the final official statements for the bonds and in the city’s *Supplemental Disclosure: Outstanding Bonded Debt* report available from the city’s Accounting Services Division. During fiscal year 2006, Standard and Poor’s rating service upgraded the city’s general obligation bonds from AA to AA+. Rating services upgraded the Airports bonds in prior years. Other bond ratings have not changed since issuance.

**Outstanding Bonds**  
*(dollars are in thousands)*

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Totals</i>		<i>% Total Change</i>
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	
General obligation bonds	\$418,865	\$367,210	\$ —	\$ —	\$418,865	\$367,210	14.1%
Revenue bonds	2,850	3,705	502,413	521,806	505,263	525,511	(3.9)
Total	<u>\$421,715</u>	<u>\$370,915</u>	<u>\$502,413</u>	<u>\$521,806</u>	<u>\$924,128</u>	<u>\$892,721</u>	3.5

**Economic Environment and Rates**

.16 The Durham City Metropolitan Statistical Area (MSA) includes Oklahoma, Lincoln, Logan, Canadian, Cleveland, McClain, and Grady Counties encompassing a variety of neighboring cities and communities. The city continues to serve as an important source of economic stimulus for the surrounding region.

The revitalized downtown continues to strengthen the core business center of the metropolitan area. The strength of the surrounding metropolitan area is likewise benefiting the city so both are enjoying strong job and income growth typical of a regional economy with a population approaching 1.2 million.

The unemployment rate in March 2006 was 4.1 percent, down from 4.8 percent in March 2005. There was a 2.3 percent increase in total nonfarm employment over this same twelve month period. The strong performance of the local and regional economies is exhibiting strong income growth for residents. Personal income increased by approximately 6.7 percent and 6.5 percent in calendar years 2004 and 2005, respectively.

The manufacturing sector continues to languish under intense foreign competition and falling prices for manufactured products. Nearly 40 percent of the manufacturing jobs in Oklahoma County have been lost since calendar year 1999 including the closure of the General Motors manufacturing plant. However, the metro continues to enjoy a significant boost from the ongoing expansion of the area’s oil and gas activities. Local energy firms continue to add workers with oil and gas payrolls increasing approximately 15.9 percent and 8.4 percent in calendar years 2004 and 2005, respectively. Energy, construction, temporary employment, and professional, scientific, and technical sectors are providing most of the new job growth. Health care and social assistance is the largest single major industry sector providing approximately 12.2 percent of local employment. This important industry experienced recent softness but is also beginning to rebound. Despite job losses from manufacturing, the metropolitan area continues to add new jobs in other sectors. Income gains continue to accrue to residents as employment and wage level gains are realized.

The source for economic data is the Oklahoma State University Center for Applied Economic Research.

### *Hotel/Motel Tax Increase*

.17 The city's hotel or motel, or both, tax remained at a 2 percent rate for almost 32 years. With the strides made in recent years to revitalize the city's downtown area, a new study of the hotel/motel tax was conducted. In response to the recommendations contained in the study and approved by the Durham City Convention and Visitors Commission, the city council approved a resolution to increase the tax to 5.5 percent if approved by voters. City voters approved the tax increase making the new 5.5 percent hotel, motel, or both, tax rate effective January 1, 2005.

The increased hotel or motel tax, or both, provides additional funding to encourage, promote, and foster convention and tourism for the city. These revenues also support revenue bonds issued by the DCPFA Fairgrounds Fund for the purpose of financing costs for the construction and renovation of fairgrounds facilities.

### *Water Utilities Rate Increases*

.18 On February 3, 2004, DCWUT received a cost-of-service and rate design report from Thompson & Associates. This report and analysis showed that water and wastewater rate adjustments of 3.00 percent and 3.15 percent, respectively, implemented each October 1, for years 2004, 2005, and 2006 would be sufficient to meet estimated expenses. To provide adequate revenues to meet anticipated expenditures for operations, debt service, and capital improvements as forecast for fiscal years 2005–2007, the Trust and the city council approved these new rate adjustments on August 3, 2004.

On January 17, 2006, the Durham City Water Utilities Trust (DCWUT) received a report by staff and its financial advisor, Public Financial Management, Inc. (PFM), with updated financial plan scenarios. DCWUT adopted a resolution directing the general manager and general counsel to prepare ordinance amendments to implement annual fee adjustments of 3.75 percent effective each October 1 for the years 2006–2009. The fee adjustments are necessary to generate the minimum revenues required to pay the debt service associated with the new revenue bond issues for financing the utilities' capital programs during these years. On April 4, 2006, the city council approved these rate increases.

## **Contacting the City's Financial Management**

.19 This financial report is designed to provide a general overview of the city's finances, comply with finance-related laws and regulations, and demonstrate the city's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the city's Finance Department, Accounting Services Division.



**Overview of Component Units  
June 30, 2006**

<u>Name</u>	<u>Date Established</u>	<u>Activity Performed</u>
<b>BLENDED COMPONENT UNITS</b>		
1. Durham City Municipal Facilities Authority (DCMFA)	November 10, 1976	Municipal services
2. Durham City Water Utilities Trust (DCWUT)	August 1, 1960	Water utilities services
3. Durham City Development Trust (DCDT)	January 2, 1958	Solid waste management and airport services (inactive)
4. Durham City Airport Trust (DCAT)	April 1, 1956	Airport services
5. Durham City Public Property Authority (DCPPA)	August 15, 1961	Golf courses operation, fairgrounds improvements, and various municipal services
6. McGee Creek Authority (MCA)	August 17, 1977	Water supply services
7. Durham City Environmental Assistance Trust (DCEAT)	January 23, 1979	Solid waste management and pollution control
<b>DISCRETELY PRESENTED COMPONENT UNITS</b>		
1. Durham City Riverfront Redevelopment Authority (DCRRA)	March 19, 1985	Riverfront development
2. Durham City Zoological Trust (DCZT)	January 7, 1975	Durham City Zoo
3. Port Authority of the Greater Durham City Area (Port Authority)	October 30, 1962	Foreign trade zone
4. Central Oklahoma Transportation and Parking Authority (COTPA)	February 1, 1966	Public transportation and parking services
5. Central Oklahoma Transportation and Parking Employee Retirement Trust (COTPA Retirement)	February 1, 1970 (effective date)	Retirement benefits
6. Durham City Metropolitan Area Public Schools Trust (DCMAPS)	August 14, 2001	Administer dedicated city sales tax for the benefit of public schools with student residents within the corporate city limits.
7. Durham City Redevelopment Authority (DCRA)	May 7, 1985	Economic development

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**CITY OF DURHAM CITY, OKLAHOMA**  
**STATEMENT OF NET ASSETS**  
*June 30, 2006*  
*(dollars are in thousands)*

	<i>Primary Government</i>			<i>Component Units</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
<b>ASSETS</b>				
Current assets:				
Pooled cash and cash equivalents	\$ 243,969	\$ 19,768	\$ 263,737	\$ —
Nonpooled cash	15,719	9,418	25,137	6,997
Investments	217,188	168,690	385,878	204,786
Sales and use taxes receivable	50,805	—	50,805	—
Property taxes receivable	5,718	—	5,718	—
Accounts receivable, net	10,567	25,937	36,504	509
Interest, dividends, and royalties receivable	4,201	1,957	6,158	1,557
Internal balances	33,680	(33,680)	—	—
Receivable from component units, current	11,317	124	11,441	—
Receivable from primary government	—	—	—	16,631
Intergovernmental receivables	6,093	4,100	10,193	1,457
Notes receivable, current	315	—	315	7
Inventories	5,194	5,436	10,630	1,103
Prepays	488	56	544	23
Other	85	—	85	—
Total current assets	<u>605,339</u>	<u>201,806</u>	<u>807,145</u>	<u>233,070</u>
Noncurrent assets:				
Investments, noncurrent	1,044	105,336	106,380	8,014
Notes receivable, noncurrent	5,095	—	5,095	6,675
Receivable from component units, noncurrent	—	1,698	1,698	—
Deferred debt expense, net	2,447	2,553	5,000	851
Intangible assets, net	—	23	23	—
Other	—	—	—	301
Water storage rights, net	—	49,465	49,465	—
Equity interest in joint venture	2,202	—	2,202	—
Capital assets:				
Land and construction in progress	219,139	210,070	429,209	55,267
Other capital assets, net of accumulated depreciation	829,559	987,761	1,817,320	94,343
Total noncurrent assets	<u>1,059,486</u>	<u>1,356,906</u>	<u>2,416,392</u>	<u>165,451</u>
<b>Total assets</b>	<u><b>1,664,825</b></u>	<u><b>1,558,712</b></u>	<u><b>3,223,537</b></u>	<u><b>398,521</b></u>

	<i>Primary Government</i>			
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	<i>Component Units</i>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 28,444	\$ 26,643	\$ 55,087	\$ 7,901
Wages and benefits payable	10,560	2,174	12,734	524
Payable to component units	16,631	—	16,631	—
Payable to primary government, current	—	—	—	11,441
Intergovernmental payable, current	—	—	—	110
Interest payable	1,523	—	1,523	—
Compensated absences, current	17,923	2,696	20,619	279
Notes, lease obligations, and estimated claims payable	36,097	16	36,113	255
Unearned revenue	525	3,601	4,126	2,991
Bond interest payable, current	6,415	19,185	25,600	959
Bonds payable, current	31,210	26,110	57,320	3,085
Total current liabilities	149,328	80,425	229,753	27,545
Noncurrent liabilities:				
Compensated absences, noncurrent	42,180	5,499	47,679	136
Payable to primary government, noncurrent	—	—	—	1,698
Intergovernmental payable, noncurrent	5	189	194	—
Notes, lease obligations, and estimated claims payable, noncurrent	43,335	509	43,844	6,820
Bond interest payable, noncurrent	—	53,417	53,417	—
Bonds payable, noncurrent	390,505	476,303	866,808	57,240
Unamortized bond discount/premium	12,479	1,637	14,116	1,859
Deferred amount on refunding	(7,500)	(1,383)	(8,883)	(1,291)
Bonds payable, net of unamortized discount/premium and deferred amount on refunding	395,484	476,557	872,041	57,808
Total noncurrent liabilities	481,004	536,171	1,017,175	66,462
<b>Total liabilities</b>	<b>630,332</b>	<b>616,596</b>	<b>1,246,928</b>	<b>94,007</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	613,911	792,391	1,406,302	96,663
Restricted for:				
Capital projects	207,276	48,703	255,979	5,969
Debt service	42,996	38,024	81,020	1,445
Public safety	1,548	—	1,548	—
Public services	—	108,744	108,744	—
Culture and recreation	13,279	—	13,279	—
Education	274	—	274	—
Maintenance	—	13,535	13,535	—
Unrestricted	155,209	(59,281)	95,928	200,437
<b>Total net assets</b>	<b>\$1,034,493</b>	<b>\$ 942,116</b>	<b>\$1,976,609</b>	<b>\$304,514</b>

See accompanying notes to financial statements.

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**CITY OF DURHAM CITY, OKLAHOMA**  
**STATEMENT OF ACTIVITIES**  
*year ended June 30, 2006*  
*(dollars are in thousands)*

<i>Functions/Programs</i>	<i>Expenses</i>	<i>Indirect Expenses Allocation</i>	<i>Program Revenues</i>			
			<i>Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contribution</i>	<i>Net (Expense) Revenue</i>
<b>Primary government:</b>						
Governmental activities:						
General government	\$ 31,406	(\$11,322)	\$ 1,312	\$ 1,103	\$ 49	(\$ 17,620)
Public safety:						
Police	131,985	—	2,474	9,136	—	(120,375)
Fire	119,742	—	13	19,000	—	(100,729)
Other	21,866	—	21,645	—	—	(221)
Public services	94,108	215	18,346	34,908	21,410	(19,659)
Culture and recreation	50,840	211	7,909	340	—	(42,802)
Education	82,288	—	—	—	—	(82,288)
Interest on long-term debt	16,949	—	—	—	—	(16,949)
Total governmental activities	549,184	(10,896)	51,699	64,487	21,459	(400,643)
Business-type activities:						
Airports	49,833	2,885	49,885	11,795	9,503	18,465
Water utilities	122,242	5,460	129,545	4,942	23,775	30,560
Solid waste management	29,630	786	30,950	646	—	1,180
Stormwater drainage	10,290	560	8,856	364	728	(902)
Golf courses	8,433	312	7,570	169	—	(1,006)
Fairgrounds	2,503	—	10	1,758	400	(335)
Ground transportation	737	659	1,315	3	—	(78)
Parking	110	234	366	4	—	26
Total business-type activities	223,778	10,896	228,497	19,681	34,406	47,910
<b>Total primary government</b>	<b>\$772,962</b>	<b>\$ —</b>	<b>\$280,196</b>	<b>\$ 84,168</b>	<b>\$ 55,865</b>	<b>(\$352,733)</b>
<b>Component units:</b>						
Durham City Riverfront Redevelopment Authority:						
Riverfront development	\$ 413	\$ —	\$262	\$ 33	\$ —	\$ (118)
Durham City Zoological Trust:						
Zoo operations	13,338	—	5,935	10,822	—	3,419
Port Authority of the Greater Durham City Area:						
Foreign trade zone operations	64	—	41	5	—	(18)
Central Oklahoma Transportation and Parking Authority:						
Ground transportation and parking	28,254	—	9,945	18,581	1,301	1,573
Durham City Metropolitan Area Public Schools Trust:						
Education	25,009	—	—	85,966	—	60,957
Durham City Redevelopment Authority:						
Economic development	9,704	—	17	339	7,366	(1,982)
<b>Total component units</b>	<b>\$ 76,782</b>	<b>\$ —</b>	<b>\$ 16,200</b>	<b>\$115,746</b>	<b>\$ 8,667</b>	<b>\$ 63,831</b>

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**CITY OF DURHAM CITY, OKLAHOMA**  
**STATEMENT OF ACTIVITIES** *(continued)*  
*year ended June 30, 2006*  
*(dollars are in thousands)*

	<i>Primary Government</i>			<i>Component Units</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
<b>Changes in net assets:</b>				
<b>Net (expense) revenue</b>	<b>(\$ 400,643)</b>	<b>\$ 47,910</b>	<b>(\$ 352,733)</b>	<b>\$ 63,831</b>
<b>General revenues:</b>				
Taxes:				
Sales taxes				
General	164,579	—	164,579	—
Police	30,859	—	30,859	—
Fire	30,859	—	30,859	—
Zoo	10,286	—	10,286	—
Education	82,240	—	82,240	—
Use taxes	30,916	—	30,916	—
Hotel/Motel taxes	8,623	—	8,623	—
Property taxes	43,231	—	43,231	3,153
Franchise taxes (fees)	30,677	—	30,677	—
Other taxes	8,248	—	8,248	—
Oil and gas royalties	826	—	826	—
Unrestricted investment income	15,373	—	15,373	—
Miscellaneous	5,105	—	5,105	—
<b>Transfers</b>	<b>1,152</b>	<b>(1,152)</b>	<b>—</b>	<b>—</b>
Total general revenues and transfers	462,974	(1,152)	461,822	3,153
<b>Change in net assets</b>	<b>62,331</b>	<b>46,758</b>	<b>109,089</b>	<b>66,984</b>
<b>Net assets, beginning</b>	<b>972,162</b>	<b>895,358</b>	<b>1,867,520</b>	<b>237,530</b>
<b>Net assets, ending</b>	<b>\$1,034,493</b>	<b>\$942,116</b>	<b>\$1,976,609</b>	<b>\$304,514</b>

See accompanying notes to financial statements.

CITY OF DURHAM CITY, OKLAHOMA

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2006

(dollars are in thousands)

	General	Debt Service	Grants Management	City and Schools Sales Tax	General Obligation Bonds	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Pooled cash and cash equivalents	\$ 59,257	\$32,639	\$ —	\$ 382	\$ 509	\$127,085	\$219,872
Nonpooled cash	13	7,674	7,393	—	116	523	15,719
Investments	—	—	—	—	216,201	986	217,187
Sales and use taxes receivable	27,384	—	—	11,779	—	11,642	50,805
Property taxes receivable	—	5,718	—	—	—	—	5,718
Accounts receivable	5,529	—	—	—	—	1,238	6,767
Interest, dividends, and royalties receivable	622	340	132	4	1,671	1,245	4,014
Due from other funds	4,942	—	99	—	—	3,924	8,965
Receivable from component units	166	—	—	—	—	11,143	11,309
Intergovernmental receivable	—	—	6,093	—	—	—	6,093
Notes receivable, current	—	—	315	—	—	—	315
Inventories	4,079	—	—	—	—	1,045	5,124
Assets held for resale	—	—	85	—	—	—	85
Notes receivable, noncurrent	—	—	5,095	—	—	—	5,095
<b>Total assets</b>	<b>\$101,992</b>	<b>\$46,371</b>	<b>\$19,212</b>	<b>\$12,165</b>	<b>\$218,497</b>	<b>\$158,831</b>	<b>\$557,068</b>
<b>LIABILITIES and FUND BALANCES</b>							
<b>LIABILITIES</b>							
Accounts payable	\$ 3,298	\$ —	\$ 3,961	\$ 5	\$9,210	\$8,538	\$25,012
Wages and benefits payable	8,077	—	139	24	—	1,945	10,185
Due to other funds	3,073	3,788	1,551	—	2,850	2,360	13,622
Payable to component units	—	—	1	11,779	—	4,848	16,628
Notes payable	—	—	—	—	—	22,414	22,414
Interest payable	—	631	—	—	—	629	1,260
Deferred revenue	—	5,504	1,260	—	—	469	7,233
<b>Total liabilities</b>	<b>14,448</b>	<b>9,923</b>	<b>6,912</b>	<b>11,808</b>	<b>12,060</b>	<b>41,203</b>	<b>96,354</b>

(continued)

CITY OF DURHAM CITY, OKLAHOMA

BALANCE SHEET (continued)

GOVERNMENTAL FUNDS

June 30, 2006

(dollars are in thousands)

	General	Debt Service	Grants Management	City and Schools Sales Tax	General Obligation Bonds	Other Governmental Funds	Total Governmental Funds
<b>FUND BALANCES</b>							
Reserved for encumbrances	1,988	—	4,786	4	39,557	19,339	65,674
Reserved for restricted purposes	291	—	12,660	—	—	—	12,951
Reserved for noncurrent receivables	—	—	5,095	—	—	—	5,095
Unreserved, reported in:							
General fund	80,265	—	—	—	—	—	80,265
Designated for subsequent year appropriations	5,000	—	—	—	—	—	5,000
Debt service fund	—	36,448	—	—	—	—	36,448
Special revenue funds	—	—	(10,241)	353	—	87,458	77,570
Capital projects funds	—	—	—	—	166,880	10,831	177,711
<b>Total fund balances</b>	<b>87,544</b>	<b>36,448</b>	<b>12,300</b>	<b>357</b>	<b>206,437</b>	<b>117,628</b>	<b>460,714</b>
<b>Total liabilities and fund balances</b>	<b>\$101,992</b>	<b>\$46,371</b>	<b>\$19,212</b>	<b>\$12,165</b>	<b>\$218,497</b>	<b>\$158,831</b>	<b>\$557,068</b>

See accompanying notes to financial statements.

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**CITY OF DURHAM CITY, OKLAHOMA**  
**RECONCILIATION OF THE BALANCE**  
**SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS**  
*June 30, 2006*  
*(dollars are in thousands)*

Total fund balance—total governmental funds	\$ 460,714
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets of \$1,563,528 net of accumulated depreciation of (\$524,159), are not financial resources and, therefore, are not reported in the funds. See note III. A. 3. for additional detail.	1,039,369
The city’s equity interest in the EMSA joint venture is not attributable to any certain fund.	2,202
Other long-term assets (receivables) are not available to pay current-period expenditures and, therefore, are deferred in the funds. These include deferred grant revenues of \$1,204, deferred property taxes of \$5,504, and \$3,135 in revenue earned but unavailable for accrual in the funds.	9,843
Internal service funds are used by management to charge the costs of certain activities, such as equipment services, risk management, print shop, financial services, and information technology, to individual funds. Assets and liabilities of the internal services funds of (\$9,962) are included in governmental activities in the statement of net assets, plus \$32,587 allocated to business-type activities.	22,625
Deferred revenue in internal service funds represents advance charges paid by governmental activities and is eliminated within the government-wide statements.	1,685
Long-term liabilities of (\$492,865) are not due and payable in the current period and are not reported in the funds. See note III. B. 2. for detail. Other related amounts include deferred debt expense of \$2,447, bond interest payable of (\$6,378), unamortized bond premium of (\$12,479), unamortized deferred amount on refunding of \$7,500, and interest payable on long-term notes payable of (\$170).	(501,945)
Net assets of governmental activities	<u>\$1,034,493</u>

See accompanying notes to financial statements.



CITY OF DURHAM CITY, OKLAHOMA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

year ended June 30, 2006

(dollars are in thousands)

	General	Debt Service	Grants Management	City and Schools Sales Tax	General Obligation Bonds	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
Sales taxes	\$164,579	\$ —	\$ —	\$82,240	\$ —	\$ 72,004	\$318,823
Use taxes	22,959	—	—	—	—	7,957	30,916
Hotel/Motel taxes	—	—	—	—	—	8,623	8,623
Property taxes	—	41,815	—	—	—	—	41,815
Other taxes:							
E-911	—	—	—	—	—	2,894	2,894
Other	5,354	—	—	—	—	—	5,354
Franchise taxes (fees)	30,677	—	—	—	—	—	30,677
Licenses and permits	10,962	—	—	—	—	1,718	12,680
Oil and gas royalties	129	—	—	—	—	697	826
Fines and forfeitures	19,134	—	—	—	—	1,081	20,215
Investment income	1,757	1,021	305	28	6,654	4,597	14,362
Charges for services	23,180	—	—	—	—	3,054	26,234
Rental income	1,453	—	—	—	—	1,850	3,303
Intergovernmental programs	27,103	—	30,799	—	—	6,727	64,629
Other	154	4	2	—	303	6,007	6,470
<b>Total revenues</b>	<b>307,441</b>	<b>42,840</b>	<b>31,106</b>	<b>82,268</b>	<b>6,957</b>	<b>117,209</b>	<b>587,821</b>
<b>EXPENDITURES</b>							
Current:							
General government	34,411	—	—	—	—	7,523	41,934
Public safety:							
Police	83,914	—	1,201	—	2,015	40,428	127,558
Fire	78,840	—	1,556	—	449	31,590	112,435
Other	6,095	—	1,740	—	—	25,804	33,639
Public services	32,968	—	24,564	—	42,039	27,922	127,493
Culture and recreation	18,780	—	1,774	—	5,831	25,194	51,579
Education	—	—	—	82,270	—	—	82,270

(continued)

**CITY OF DURHAM CITY, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES (continued)**

**GOVERNMENTAL FUNDS**

*year ended June 30, 2006*

*(dollars are in thousands)*

	General	Debt Service	Grants Management	City and Schools Sales Tax	General Obligation Bonds	Other Governmental Funds	Total Governmental Funds
Debt service:							
Principal	—	28,345	—	—	—	—	28,345
Interest	—	16,192	—	—	—	—	16,192
Bond issuance costs	120	434	—	—	—	—	554
Other debt service	4	—	—	—	—	—	4
<b>Total expenditures</b>	<b>255,132</b>	<b>44,971</b>	<b>30,835</b>	<b>82,270</b>	<b>50,334</b>	<b>158,461</b>	<b>622,003</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>52,309</b>	<b>(2,131)</b>	<b>271</b>	<b>(2)</b>	<b>(43,377)</b>	<b>(41,252)</b>	<b>(34,182)</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers from other funds	9,818	1	58	—	—	49,613	59,490
Transfers to other funds	(47,615)	(2,120)	(356)	—	(6,976)	(19,226)	(76,293)
Capital financing	—	—	—	—	—	2,482	2,482
Sale of assets	285	—	2	—	38	2,900	3,225
Insurance recoveries	—	—	—	—	—	11	11
Premium on bonds	—	2,121	—	—	—	—	2,121
Long-term debt issued	—	—	12,660	—	80,000	—	92,660
<b>Net other financing sources (uses)</b>	<b>(37,512)</b>	<b>2</b>	<b>12,364</b>	<b>—</b>	<b>73,062</b>	<b>35,780</b>	<b>83,696</b>
<b>Net change in fund balances</b>	<b>14,797</b>	<b>(2,129)</b>	<b>12,635</b>	<b>(2)</b>	<b>29,685</b>	<b>(5,472)</b>	<b>49,514</b>
<b>Fund balances, beginning</b>	<b>72,747</b>	<b>38,577</b>	<b>(335)</b>	<b>359</b>	<b>176,752</b>	<b>123,100</b>	<b>411,200</b>
<b>Fund balances, ending</b>	<b>\$ 87,544</b>	<b>\$36,448</b>	<b>\$12,300</b>	<b>\$ 357</b>	<b>\$206,437</b>	<b>\$117,628</b>	<b>\$460,714</b>

See accompanying notes to financial statements.

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**CITY OF DURHAM CITY, OKLAHOMA  
RECONCILIATION OF THE STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES**

*year ended June 30, 2006  
(dollars are in thousands)*

Net change in fund balances—total governmental funds \$49,514

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$110,496 exceeded depreciation of (\$47,099) in the current period. 63,397

In the statement of activities, the loss on the disposal of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. The change in net assets differs from the change in fund balance by the cost of the assets disposed of (\$4,167), net of related accumulated depreciation of \$1,742. (2,425)

Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources. 21,554

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These include the increase of \$743 in the City’s equity interest in the EMSA joint venture, recognition of earned, but unavailable, deferred revenue of \$1,365, and \$3,135 in revenue earned but unavailable for accrual in the funds. 5,243

The proceeds of debt issuances provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which debt proceeds of (\$95,147) plus premium of (\$2,121), net of amortization of \$1,481, less issuance costs of \$554, net of amortization of (\$42), exceeded repayments of \$28,508 and amortization of the deferred amount on refunding bonds of (\$1,079). Also see note III. B. 2. for additional detail. (67,846)

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. These include the net increase in compensated absences of (\$6,974) and an increase in accrued interest of (\$966). See note III. B. 2. for additional detail. (7,940)

Internal service funds are used by management to charge the costs of certain activities, such as fleet services, risk management, print shop, financial services, and information technology, to individual funds. Net revenue (expense) of internal service funds of (\$7,158) is reported with governmental activities, plus \$9,017 allocated to business-type activities. 1,859

The change in deferred revenue in the internal service funds represents advance charges paid by governmental activities and is eliminated within the government-wide statements. (1,025)

Change in net assets of governmental activities \$62,331

CITY OF DURHAM CITY, OKLAHOMA  
STATEMENT OF FUND NET ASSETS  
PROPRIETARY FUNDS

June 30, 2006

(dollars are in thousands)

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	DCAT	DCWUT	Water Utilities	MCA	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<b>ASSETS</b>							
Current assets:							
Pooled cash and cash equivalents	\$ —	\$ —	\$ 5,114	\$ —	\$ 14,654	\$ 19,768	\$24,097
Nonpooled cash	764	875	—	876	6,903	9,418	—
Investments	68,789	84,911	—	3,648	11,342	68,690	1
Accounts receivable, net	5,255	16,710	—	24	3,948	25,937	—
Interest, dividends, and royalties receivable	565	861	72	28	431	1,957	187
Due from other funds	—	36	—	2,542	843	3,421	5,239
Receivable from component units, current	—	124	—	—	—	124	8
Intergovernmental receivables	4,097	—	—	—	3	4,100	—
Inventories	—	—	4,042	—	1,394	5,436	70
Prepays	—	56	—	—	—	56	488
Total current assets	79,470	103,573	9,228	7,118	39,518	238,907	30,090
Noncurrent assets:							
Investments, noncurrent	28,926	22,197	—	6,653	47,560	105,336	1,044
Advances to other funds	—	—	—	59,245	—	59,245	687
Receivable from component units, noncurrent	—	1,698	—	—	—	1,698	—
Deferred debt expense, net	972	345	—	2	1,234	2,553	—
Intangible assets	23	—	—	—	—	23	—
Water storage rights	—	49,465	—	—	—	49,465	—
Capital assets:							
Land and construction in progress	75,618	87,191	7,241	154	39,866	210,070	928
Other capital assets, net of accumulated depreciation	320,064	373,487	151,287	455	142,468	987,761	8,401
Total noncurrent assets	425,603	534,383	158,528	66,509	231,128	1,416,151	11,060
<b>Total assets</b>	<b>505,073</b>	<b>637,956</b>	<b>167,756</b>	<b>73,627</b>	<b>270,646</b>	<b>1,655,058</b>	<b>41,150</b>
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable	4,708	12,431	2,261	25	7,218	26,643	2,767
Wages and benefits payable	4	—	1,280	5	885	2,174	375
Due to other funds	—	2,990	23	—	814	3,827	176
Payable to component units	—	—	—	—	—	—	3

(continued)

**CITY OF DURHAM CITY, OKLAHOMA**  
**STATEMENT OF FUND NET ASSETS (continued)**  
**PROPRIETARY FUNDS**  
*June 30, 2006*  
*(dollars are in thousands)*

	DCAT	DCWUT	Water Utilities	MCA	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Interest payable	—	—	—	—	—	—	93
Compensated absences, current	—	—	1,685	5	1,006	2,696	557
Notes, lease obligations, and estimated claims payable, current	—	16	—	—	—	16	12,999
Deferred revenue	410	—	—	—	3,191	3,601	1,685
Bond interest payable, current	4,916	11,201	—	2,090	978	19,185	37
Bonds payable, current	16,820	5,695	—	2,470	1,125	26,110	900
Total current liabilities	26,858	32,333	5,249	4,595	15,217	84,252	19,592
Noncurrent liabilities:							
Compensated absences, noncurrent	—	—	3,444	31	2,024	5,499	1,177
Intergovernmental payable	—	—	—	160	29	189	—
Notes, lease obligations, and estimated claims payable, noncurrent	—	509	—	—	—	509	28,393
Advances from other funds	—	59,245	—	—	687	59,932	—
Bond interest payable, noncurrent	—	53,417	—	—	—	53,417	—
Bonds payable, noncurrent	189,050	148,553	—	67,205	71,495	476,303	1,950
Unamortized bond discount/premium	(690)	(629)	—	(6)	2,962	1,637	—
Deferred amount on refunding	(1,341)	—	—	—	(42)	(1,383)	—
Bonds payable, net of unamortized discount/premium and deferred amount on refunding	187,019	147,924	—	67,199	74,415	476,557	1,950
Total noncurrent liabilities	187,019	261,095	3,444	67,390	77,155	596,103	31,520
<b>Total liabilities</b>	<b>213,877</b>	<b>293,428</b>	<b>8,693</b>	<b>71,985</b>	<b>92,372</b>	<b>680,355</b>	<b>51,112</b>
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	200,913	274,831	158,528	609	157,510	792,391	5,288
Restricted for capital projects	1,417	—	—	—	47,286	48,703	—
Restricted for debt service	24,762	7,724	—	3,676	1,862	38,024	1,044
Restricted for maintenance	13,535	—	—	—	—	13,535	—
Unrestricted (deficit)	50,569	61,973	535	(2,643)	(28,384)	82,050	(16,294)
<b>Total net assets</b>	<b>\$291,196</b>	<b>\$344,528</b>	<b>\$159,063</b>	<b>\$1,642</b>	<b>\$178,274</b>	<b>974,703</b>	<b>(\$9,962)</b>
Adjustment to reflect the consolidation of applicable internal service fund activities to enterprise funds					(32,587)	(32,587)	
<b>Net assets of business-type activities</b>						<b>\$ 942,116</b>	

See accompanying notes to financial statements.

**CITY OF DURHAM CITY, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
*year ended June 30, 2006*  
*(dollars are in thousands)*

	DCAT	DCWUIT	Water Utilities	MCA	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<b>OPERATING REVENUES</b>							
Charges for services:							
Parking	\$ 6,178	\$ —	\$ —	\$ —	\$ —	\$ 6,178	\$ —
Water charges	—	75,899	—	143	—	76,042	—
Wastewater charges	—	52,683	—	—	—	52,683	—
Drainage charges	—	—	—	—	8,743	8,743	—
Sanitation charges	—	—	—	—	30,823	30,823	—
Landing fees	5,847	—	—	—	—	5,847	—
Green fees	—	—	—	—	4,452	4,452	—
Concessions	—	—	—	—	1,125	1,125	—
Internal service charges	—	—	—	—	—	—	—
Total charges for services	12,025	128,582	—	143	45,143	185,893	67,651
Lease and rental income	31,287	399	—	—	1,937	33,623	—
Other	6,535	261	83	—	184	7,063	27
Total operating revenues	49,847	129,242	83	143	47,264	226,579	68,704
<b>OPERATING EXPENSES</b>							
Personal services	34	31,833	—	136	20,367	52,370	9,789
Maintenance, operations, and contractual services	7,240	37,196	—	138	30,813	75,387	79,946
Materials and supplies	536	9,167	—	50	4,544	14,297	4,469
Amortization of water storage rights	—	2,126	—	—	—	2,126	—
Depreciation	16,587	16,562	6,663	31	13,448	53,291	321
Total operating expenses	24,397	96,884	6,663	355	69,172	197,471	94,525
<b>Operating income (loss)</b>	<b>25,450</b>	<b>32,358</b>	<b>(6,580)</b>	<b>(212)</b>	<b>(21,908)</b>	<b>29,108</b>	<b>(25,821)</b>

(continued)

**CITY OF DURHAM CITY, OKLAHOMA  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET ASSETS (continued)**

**PROPRIETARY FUNDS**

*year ended June 30, 2006*

*(dollars are in thousands)*

<b>NONOPERATING REVENUE (EXPENSES)</b>	DCAT	DCWUIT	Water Utilities	MCA	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Grants income	9,503	—	—	—	—	9,503	—
Passenger facility charges	4,868	—	—	—	—	4,868	—
Investment income	3,958	3,850	413	552	3,004	11,777	1,011
Interest on torts, bonds, notes, and lease obligations	(13,728)	(6,554)	—	(4,259)	(3,197)	(27,738)	(297)
Amortization	(267)	(42)	—	(3)	(115)	(427)	—
Oil and gas royalties	2,909	127	—	—	—	3,036	—
Payments from component units	—	—	—	—	1,681	1,681	—
Other revenue (expenses)	20	77	—	(21)	140	216	(6)
Total nonoperating revenue (expenses)	<u>7,263</u>	<u>(2,542)</u>	<u>413</u>	<u>(3,731)</u>	<u>1,513</u>	<u>2,916</u>	<u>708</u>
<b>Income (loss) before contributions and transfers</b>	<b>32,713</b>	<b>29,816</b>	<b>(6,167)</b>	<b>(3,943)</b>	<b>(20,395)</b>	<b>32,024</b>	<b>(25,113)</b>
Capital contributions from developers	—	—	19,720	—	1,128	20,848	—
Capital contributions, other	—	4,055	—	—	—	4,055	—
Transfers from other funds	—	2,783	—	4,053	23,428	30,264	—
Transfers to other funds	(12,779)	(7,520)	(2,128)	—	(8,989)	(31,416)	(11,257)
<b>Changes in net assets</b>	<b>19,934</b>	<b>29,134</b>	<b>11,425</b>	<b>110</b>	<b>(4,828)</b>	<b>55,775</b>	<b>(7,158)</b>
<b>Total net assets, beginning</b>	<b>271,262</b>	<b>315,394</b>	<b>147,638</b>	<b>1,532</b>	<b>183,102</b>	<b>(2,804)</b>	<b>(2,804)</b>
<b>Total net assets, ending</b>	<b>\$291,196</b>	<b>\$344,528</b>	<b>\$159,063</b>	<b>\$1,642</b>	<b>\$178,274</b>	<b>(9,962)</b>	<b>(9,962)</b>
Adjustment to reflect the consolidation of applicable internal service fund activities to enterprise funds	—	—	—	—	—	—	(9,017)
<b>Changes in net assets of business-type activities</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>\$ 46,758</b>

See accompanying notes to financial statements.

**CITY OF DURHAM CITY, OKLAHOMA  
STATEMENT OF CASH FLOWS  
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS  
PROPRIETARY FUNDS**

*year ended June 30, 2006  
(dollars are in thousands)*

	DCAT	DCWUT	Water Utilities	MCA	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<b>Cash flows from operating activities:</b>							
Cash received from customers	\$ 49,723	\$ 126,154	\$ —	\$ 138	\$ 45,924	\$ 221,939	\$ 67,076
Cash payments to suppliers for goods and services	(7,798)	(40,146)	—	(182)	(30,933)	(79,059)	(72,055)
Cash payments to employees and professional contractors for services	(34)	(31,833)	—	(132)	(20,292)	(52,291)	(9,616)
Receipts from oil and gas royalties	2,837	127	—	—	—	2,964	—
Cash payments for torts	—	—	—	—	—	—	(1,995)
Payments for internal services	—	(6,574)	—	—	(2,221)	(8,795)	—
Other operating revenues	—	58	83	—	114	255	—
<b>Net cash provided (used) by operating activities</b>	<b>44,728</b>	<b>47,786</b>	<b>83</b>	<b>(176)</b>	<b>(7,408)</b>	<b>85,013</b>	<b>(16,590)</b>
<b>Cash flows from noncapital financing activities:</b>							
Receipts under interfund loan agreements	—	121	—	2,400	—	2,521	50
Payments under interfund loan agreements	—	(2,400)	—	—	—	(2,400)	(481)
Interest on torts	—	—	—	—	—	—	(125)
Transfers from other funds	—	3,197	—	4,053	23,650	30,900	29,212
Transfers to other funds	(12,791)	(7,520)	(406)	—	(10,407)	(31,124)	(11,126)
Payments from component units	—	—	—	—	1,681	1,681	—
Other noncapital financing revenues	—	—	—	—	79	79	—
<b>Net cash provided (used) by noncapital financing activities</b>	<b>(12,791)</b>	<b>(6,602)</b>	<b>(406)</b>	<b>6,453</b>	<b>15,003</b>	<b>1,657</b>	<b>17,530</b>
<b>Cash flows from capital and related financing activities:</b>							
Proceeds from sale of revenue bonds and issuance of notes payable	—	—	—	—	9,042	9,042	—
Bond issuance costs	—	—	—	—	(228)	(228)	—
Acquisition and construction of capital assets	(35,433)	(51,229)	(225)	(217)	(16,894)	(103,998)	(13)



**CITY OF DURHAM CITY, OKLAHOMA**  
**STATEMENT OF CASH FLOWS (continued)**  
**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

**PROPRIETARY FUNDS**  
*year ended June 30, 2006*  
*(dollars are in thousands)*

	DCAT	DCWUT	Water Utilities	MCA	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Principal paid on bonds, notes, and lease obligations	(19,200)	(5,914)	—	(2,330)	(1,525)	(28,969)	(901)
Interest paid on bonds, notes, and lease obligations	(14,571)	(14,463)	—	(4,318)	(3,594)	(36,946)	(184)
Passenger facility charges	4,816	—	—	—	—	4,816	—
Proceeds from sale of assets	20	—	—	7	20	47	4
Capital contributions	—	4,055	—	—	—	4,055	—
Capital grants received	6,542	—	—	—	—	6,542	—
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(57,826)</b>	<b>(67,551)</b>	<b>(225)</b>	<b>(6,858)</b>	<b>(13,179)</b>	<b>(145,639)</b>	<b>(1,094)</b>
<b>Cash flows from investing activities:</b>							
Purchase of investments	(249,082)	(279,297)	—	(12,063)	(10,372)	(550,814)	(1)
Proceeds from sale of investments	271,216	301,726	—	12,074	18,787	603,803	—
Investment income	3,802	3,490	406	535	2,871	11,104	907
<b>Net cash provided (used) by investing activities</b>	<b>25,936</b>	<b>25,919</b>	<b>406</b>	<b>546</b>	<b>11,286</b>	<b>64,093</b>	<b>906</b>
Net increase (decrease) in cash and cash equivalents	47	(448)	(142)	(35)	5,702	5,124	752
Cash and cash equivalents at July 1, 2005	717	1,323	5,256	911	15,855	24,062	23,345
<b>Cash and cash equivalents at June 30, 2006</b>	<b>\$ 764</b>	<b>\$ 875</b>	<b>\$5,114</b>	<b>\$ 876</b>	<b>\$21,557</b>	<b>\$ 29,186</b>	<b>\$ 24,097</b>

**CITY OF DURHAM CITY, OKLAHOMA**  
**STATEMENT OF CASH FLOWS (continued)**  
**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

State and Local Governments

**PROPRIETARY FUNDS**  
*year ended June 30, 2006*  
*(dollars are in thousands)*

	DCAT	DCWUIT	Water Utilities	MCA	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>							
Operating income (loss)	\$25,450	\$32,358	(\$6,580)	(\$212)	(\$21,908)	\$29,108	(\$25,821)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation	16,587	16,562	6,663	31	13,448	53,291	321
Amortization of water storage rights	—	2,126	—	—	—	2,126	—
Noncash operating revenue (expenses)	12	—	—	—	(12)	—	—
Nonoperating revenue (expenses)	2,909	185	—	—	5	3,099	—
Changes in assets and liabilities:							
(Increase) decrease in accounts receivable	(323)	(3,058)	—	(5)	(236)	(3,622)	—
(Increase) decrease in due from other funds	—	409	—	—	14	423	(643)
(Increase) decrease in receivable from component units	—	(3)	—	—	—	(3)	50
(Increase) decrease in inventories	—	—	—	—	(40)	(40)	10
(Increase) decrease in other assets	—	—	—	—	—	—	8
Increase (decrease) in accounts payable	(22)	(684)	—	6	1,544	844	367
Increase (decrease) in wages and benefits payable	2	—	—	4	97	103	24
Increase (decrease) in notes payable	—	(15)	—	—	—	(15)	—
Increase (decrease) in due to other funds	—	(89)	—	—	73	(16)	44
Increase (decrease) in payable to component unit	—	—	—	—	—	—	(22)
Increase (decrease) in compensated absences	(12)	—	—	—	42	30	149
Increase (decrease) in estimated claims payable	—	—	—	—	—	—	9,949

**CITY OF DURHAM CITY, OKLAHOMA**  
**STATEMENT OF CASH FLOWS (continued)**  
**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

**PROPRIETARY FUNDS**  
*year ended June 30, 2006*  
*(dollars are in thousands)*

	DCAT	DCWUIT	Water Utilities	MCA	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Increase (decrease) in liabilities payable from restricted assets	—	(5)	—	—	—	(5)	—
Increase (decrease) in deferred revenue	125	—	—	—	(435)	(310)	(1,026)
Total adjustments	19,278	15,428	6,663	36	14,500	55,905	9,231
<b>Net cash provided (used) by operating activities</b>	<b>\$44,728</b>	<b>\$47,786</b>	<b>\$ 83</b>	<b>(\$176)</b>	<b>(\$7,408)</b>	<b>\$85,013</b>	<b>(\$16,590)</b>
<b>Noncash investing, capital, and financing activities:</b>							
Net increase (decrease) in fair value of investments	\$ 190	(\$264)	\$ —	\$ 7	\$ —	(\$67)	\$ 15
Deferred interest expense on revenue bonds	—	5,750	—	—	—	5,750	—
Capital contributions from developers	—	—	19,720	—	728	20,448	—
Capital lease acquisitions	—	—	—	—	—	—	(54)
<b>Total noncash investing, capital, and financing activities</b>	<b>\$ 190</b>	<b>\$ 5,486</b>	<b>\$ 19,720</b>	<b>\$ 7</b>	<b>\$ 728</b>	<b>\$26,131</b>	<b>(\$39)</b>

See accompanying notes to financial statements.

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**CITY OF DURHAM CITY, OKLAHOMA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
*year ended June 30, 2006*  
*(dollars are in thousands)*

	<i>Pension Trust Funds (1)</i>	<i>Agency Fund</i>
<b>ASSETS</b>		
Pooled cash and cash equivalents	\$ —	\$2,022
Nonpooled cash	165	208
Total cash	165	2,230
Receivables:		
Interest and dividends	719	19
Employer	374	—
Plan members	243	—
Other receivables	30	—
Total receivables	1,366	19
Investments, at fair value:		
Domestic common stock	76,970	—
Passive domestic stock funds	262,378	—
Preferred stock	1,304	—
Government securities/fixed income	84,777	—
Passive bond fund	1,876	—
International stock	52,141	—
Passive international bond funds	6,097	—
Treasury money market fund	15,918	—
Durham City judgements	1,894	—
Total investments	503,355	—
Invested securities lending collateral	15,075	—
<b>Total assets</b>	<b>519,961</b>	<b>2,249</b>
<b>LIABILITIES</b>		
Accounts payable	1,138	46
Due to broker	32,148	—
Wages and benefits payable	19	—
Due to depositors	—	2,203
Securities lending collateral	15,075	—
Compensated absences, current	16	—
Compensated absences, noncurrent	17	—
<b>Total liabilities</b>	<b>48,413</b>	<b>2,249</b>
<b>Net assets held in trust for pension benefits</b>	<b>\$471,548</b>	<b>\$ —</b>

(1) Totals of Pension Trust Funds include the COTPA Retirement Trust, a component unit.

See accompanying notes to financial statements.

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**CITY OF DURHAM CITY, OKLAHOMA**  
**STATEMENT OF CHANGES**  
**IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
*year ended June 30, 2006*  
*(dollars are in thousands)*

	<i>Pension Trust Funds</i>
<b>ADDITIONS:</b>	
Contributions:	
Employer	\$ 8,169
Plan members	5,978
Total contributions	<u>14,147</u>
Investment income:	
Net appreciation in fair value of investments	30,447
Interest	3,477
Dividends	446
	<u>34,370</u>
Less: investment expense	<u>(1,193)</u>
Net investment income	<u>33,177</u>
From securities lending activities:	
Securities lending income	922
Securities lending expenses:	
Borrower rebates	(805)
Management fees	(40)
Net income from securities lending activities	<u>77</u>
Other	81
<b>Total additions</b>	<b><u>47,482</u></b>
<b>DEDUCTIONS:</b>	
Benefits paid	16,293
Refunds of contributions	916
Administrative expenses	491
<b>Total deductions</b>	<b><u>17,700</u></b>
<b>Change in net assets before other financing sources (uses)</b>	<b>29,782</b>
Net assets held in trust for pension benefits:	
<b>Beginning of year</b>	<b><u>441,766</u></b>
<b>End of year</b>	<b><u>\$471,548</u></b>

(1) Totals of Pension Trust Funds include the COTPA Retirement Trust, a component unit.

See accompanying notes to financial statements.

CITY OF DURHAM CITY, OKLAHOMA  
 COMBINING STATEMENT OF NET ASSETS  
 COMPONENT UNITS

June 30, 2006

(dollars are in thousands)

	DCRRA	DCZT	Port Authority	COTPA	DCMAPS	DCRA	Total Component Units
<b>ASSETS</b>							
Current assets:							
Nonpooled cash	\$ 31	\$ 630	\$131	\$ 1,912	\$ —	\$ 4,293	\$ 6,997
Investments	621	5,856	—	8,327	183,875	6,107	204,786
Accounts receivable, net	38	165	4	302	—	—	509
Interest and dividends receivable	5	—	—	54	1,464	34	1,557
Receivable from primary government	—	4,848	—	4	11,779	—	16,631
Intergovernmental receivables	—	—	—	1,447	—	10	1,457
Notes receivable, current	7	—	—	—	—	—	7
Inventories	—	685	—	418	—	—	1,103
Prepays	—	23	—	—	—	—	23
Total current assets	702	12,207	135	12,464	197,118	10,444	233,070
Noncurrent assets:							
Investments, noncurrent	—	1,137	—	6,877	—	—	8,014
Notes receivable, noncurrent	21	—	—	—	—	6,654	6,675
Deferred debt expense, net	—	128	—	723	—	—	851
Other assets	—	—	—	—	—	301	301
Capital assets:							
Land and construction in progress	—	9,441	—	14,544	23,874	7,408	55,267
Other capital assets, net of accumulated depreciation	104	33,222	—	61,017	—	—	94,343
Total noncurrent assets	125	43,928	—	83,161	23,874	14,363	165,451
<b>Total assets</b>	<b>827</b>	<b>56,135</b>	<b>135</b>	<b>95,625</b>	<b>220,992</b>	<b>24,807</b>	<b>398,521</b>
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable	8	1,313	3	4,427	2,120	30	7,901
Wages and benefits payable	—	302	—	222	—	—	524
Payable to primary government, current	—	—	—	341	170	10,930	11,441

CITY OF DURHAM CITY, OKLAHOMA  
 COMBINING STATEMENT OF NET ASSETS (continued)

COMPONENT UNITS

June 30, 2006

(dollars are in thousands)

	DCRRA	DCZT	Port Authority	COTPA	DCMAPS	DCRA	Total Component Units
Intergovernmental payable, current	—	—	—	110	—	—	110
Compensated absences, current	—	130	—	149	—	—	279
Notes payable, current	—	—	—	—	—	255	255
Deferred revenue	—	2,955	—	36	—	—	2,991
Bond interest payable, current	—	24	—	935	—	—	959
Bonds payable, current	—	360	—	2,725	—	—	3,085
Total current liabilities	8	5,084	3	8,945	2,290	11,215	27,545
Noncurrent liabilities:							
Compensated absences, noncurrent	—	—	—	136	—	—	136
Payable to primary government, noncurrent	—	—	—	1,698	—	—	1,698
Notes payable, noncurrent	—	—	—	—	—	6,820	6,820
Bonds payable, noncurrent	—	6,430	—	50,810	—	—	57,240
Unamortized bond premium (discount)	—	83	—	1,776	—	—	1,859
Deferred amount on refunding	—	(441)	—	(850)	—	—	(1,291)
Bonds payable, net of unamortized discount and deferred amount on refunding	—	6,072	—	51,736	—	—	57,808
Total noncurrent liabilities	—	6,072	—	53,570	—	6,820	66,462
<b>Total liabilities</b>	<b>8</b>	<b>11,156</b>	<b>3</b>	<b>62,515</b>	<b>2,290</b>	<b>18,035</b>	<b>94,007</b>
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	104	36,000	—	36,182	23,874	503	96,663
Restricted for capital projects	—	—	—	—	—	5,969	5,969
Restricted for debt service	—	1,136	—	9	—	300	1,445
Unrestricted (deficit)	715	7,843	132	(3,081)	194,828	—	200,437
<b>Total net assets</b>	<b>\$819</b>	<b>\$44,979</b>	<b>\$132</b>	<b>\$33,110</b>	<b>\$218,702</b>	<b>\$ 6,772</b>	<b>\$304,514</b>

See note I. B. 1. for descriptions of component units shown in column headings.

See accompanying notes to financial statements.

CITY OF DURHAM CITY, OKLAHOMA  
 COMBINING STATEMENT OF ACTIVITIES

COMPONENT UNITS

year ended June 30, 2006

(dollars are in thousands)

	DCRRRA	DCZT	Port Authority	COTPA	DCMAPS	DCRA	Total Component Units
<b>Expenses:</b>							
Culture and recreation:							
Riverfront development	\$413	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 413
Zoo operations	—	13,338	—	—	—	—	13,338
Public services:							
Foreign trade zone operations	—	—	64	—	—	—	64
Ground transportation	—	—	—	21,531	—	—	21,531
Parking	—	—	—	6,723	—	—	6,723
Economic development	—	—	—	—	—	9,704	9,704
Education	—	—	—	—	25,009	—	25,009
<b>Total expenses</b>	<b>413</b>	<b>13,338</b>	<b>64</b>	<b>28,254</b>	<b>25,009</b>	<b>9,704</b>	<b>76,782</b>
<b>Program revenues:</b>							
Charges for services	262	5,935	41	9,945	—	17	16,200
Operating grants and contributions	33	10,822	5	18,581	85,966	339	115,746
Capital grants and contributions	—	—	—	1,301	—	7,366	8,667
<b>Total program revenues</b>	<b>295</b>	<b>16,757</b>	<b>46</b>	<b>29,827</b>	<b>85,966</b>	<b>7,722</b>	<b>140,613</b>
<b>Net (expense) revenue</b>	<b>(118)</b>	<b>3,419</b>	<b>(18)</b>	<b>1,573</b>	<b>60,957</b>	<b>(1,982)</b>	<b>63,831</b>
<b>General revenues:</b>							
Property taxes	—	—	—	—	—	3,153	3,153
Total general revenues	—	—	—	—	—	3,153	3,153
<b>Change in net assets</b>	<b>(118)</b>	<b>3,419</b>	<b>(18)</b>	<b>1,573</b>	<b>60,957</b>	<b>1,171</b>	<b>66,984</b>
<b>Net assets, beginning</b>	<b>937</b>	<b>41,560</b>	<b>150</b>	<b>31,537</b>	<b>157,745</b>	<b>5,601</b>	<b>237,530</b>
<b>Net assets, ending</b>	<b>\$819</b>	<b>\$44,979</b>	<b>\$132</b>	<b>\$33,110</b>	<b>\$218,702</b>	<b>\$6,772</b>	<b>\$304,514</b>

See note I. B. 1. for descriptions of component units shown in column headings.

See accompanying notes to financial statements.



## I. Summary of Significant Accounting Policies

### I. A. Introduction

.35 The accounting and reporting framework and the more significant accounting principles and practices of Durham City (city) are discussed in subsequent sections of this note. The remainder of the notes are organized to provide explanations, including required disclosures, of the city’s financial activities for the fiscal year ended June 30, 2006.

### I. B. Financial Reporting Entity—Basis of Presentation

#### I. B. 1. Component Units

.36 Durham City is a charter city in which citizens elect the mayor at large and eight council members by wards. The accompanying financial statements present the city’s primary government and component units over which the city exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the city (as distinct from legal relationships).

Component units of the city, except the Durham City Development Trust (inactive), the Port Authority of the Greater Durham City Area, and Central Oklahoma Transportation and Parking Employee Retirement Trust, issue separately audited financial statements. Copies of component unit reports may be obtained from the city’s Accounting Services Division.

Due to restrictions of the state constitution relating to the issuance of municipal debt, public trusts are created to finance city services with revenue bonds or other nongeneral obligation financing and provide for multiyear contracting. Financing services provided by these public trusts are solely for the benefit of the city. Public trusts created to provide financing services are blended into the city’s primary government as an integral part of city operations although retaining separate legal identity. Component units that do not meet the criteria for blending are reported discretely.

Component units are reported in the city’s Comprehensive Annual Financial Report (CAFR) as shown in the following table:

<i>Blended Component Units Reported with the Primary Government</i>	<i>Brief Description of Activities and Relationship to the City</i>	<i>Reporting Funds</i>
Durham City Municipal Facilities Authority  (DCMFA)	Finance general government, risk management, architectural and engineering fees, and other activities. City council members serve as trustees, and the city manager is general manager. City employees manage authority assets and provide services to citizens.	DCMFA General Purpose Fund, DCMFA Utilities Fund, and DCMFA Services Fund
Durham City Water Utilities Trust  (DCWUT)	Finance projects and development for the city’s water utilities. The city manager, the mayor, and one city council member serve as trustees of the trust along with two mayor and city council appointees. Assets financed by the trust are managed by city employees who provide services to citizens.	DCWUT Fund

(continued)

Durham City Development Trust (DCDT)	Finance airport and solid waste management projects solely for the benefit of the city. The mayor, city manager, two council members, and a trustee banker serve as trustees. Assets financed by the trust are managed by city employees who provide services to citizens.	Includes assets constructed or purchased for Airports and Solid Waste Management Funds. DCDT is currently inactive. Assets and accumulated depreciation are reported in the city's Airports and Solid Waste Management Funds. DCAT Fund
Durham City Airport Trust (DCAT)	Finance development solely for the city's airports. The city manager, a trustee representing holders of junior and senior lien bonds, and a citizen of the city serve as trustees. City employees manage trust assets and provide services to citizens.	DCAT Fund
Durham City Public Property Authority (DCPPA)	Finance five municipal golf courses, the Durham City Fairgrounds, Cox Business Services Convention Center, Civic Center Music Hall, Ford Center Arena, river improvements, economic development projects, and city office buildings. The city council members serve as trustees, and the city manager is general manager.	DCPPA General Purpose Fund; DCPPA Golf Courses Fund, DCPPA Fairgrounds Fund; and DCPPA Services Fund
McGee Creek Authority (MCA)	Finance the purchase of water storage rights at the McGee Creek Reservoir for the benefit of the DCWUT, a blended component unit of the city. The MCA trustees are the mayors/chairpersons of the respective beneficiaries and the chairperson of the DCWUT. The city's water utility revenues fund authority operations and debt service. Substantially all purchased water storage rights are owned by or assigned to the DCWUT.	MCA Fund
Durham City Environmental Assistance Trust (DCEAT)	Encourage, promote, and finance pollution control, waste disposal, cultural, educational, and housing activities. The city council members serve as trustees, and the city manager is general manager. City employees manage trust assets and provide services to citizens.	DCEAT Fund

*Discretely Presented Component Units*

*Brief Description of Activities and Relationship to the City*

Durham City Riverfront Redevelopment Authority (DCRRA)	Develop, finance, and maintain the property adjacent to the Oklahoma River. The mayor and two city council members serve with four other trustees appointed by the mayor and approved by the council. The city manager is the general manager. The city council reviews the DCRRA budget. Land and improvements owned by the city are leased to the authority at nominal cost. Substantial authority revenues are generated by this property. Assets are managed by a DCRRA appointee.
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<i>Discretely Presented Component Units</i>	<i>Brief Description of Activities and Relationship to the City</i>
Durham City Zoological Trust (DCZT)	Finance and operate the Durham City Zoo. Trustees include the mayor, one city council member, the city manager, and six mayor-selected and city council-approved appointees. The city council approves the DCZT sales tax budget and regularly transfers sales tax designated for the Zoo to the trust. Significant land and improvements, owned by the city, are leased to the DCZT at nominal cost. DCZT employees manage trust assets and provide services to citizens.
Port Authority of the Greater Durham City Area (Port Authority)	Created by city ordinance to administer the foreign trade zone on behalf of metropolitan Durham City. The five citizens who govern the Port Authority are appointed by the mayor with the advice and consent of the city council. The city substantially funds operations of the authority.
Central Oklahoma Transportation and Parking Authority (COTPA)	Finance, develop, and operate public transportation and parking systems. The mayor, city manager, city Finance Director, and five mayor-selected and city council-approved appointees are trustees. The city council approves the budget of COTPA and provides regular operating subsidies to the authority. COTPA employees provide services to citizens.
Central Oklahoma Transportation and Parking Employee Retirement Trust (COTPA Retirement)	Provide retirement benefits to employees of COTPA. The Pension Plan Committee serves as the governing body and comprises the city's Transit Services Director who is also the COTPA Administrator, city Finance Director, city Treasurer, President of the Amalgamated Transit Union—Local 993, one COTPA retiree appointed by the city Transit Services Director, and two retirement plan participants appointed by the COTPA trustees. COTPA Retirement is included in the city's reporting entity as it contributes to fair presentation. COTPA Retirement is reported in the fiduciary fund financial statements.
Durham City Metropolitan Area Public Schools Trust (DCMAPS)	Established to administer a dedicated city sales tax levied to provide funding for improvements to public schools attended by city-resident students. The seven trustees are appointed by the city council with three trustees nominated by the Durham City Independent School District Board of Education. City employees manage trust assets.
Durham City Redevelopment Authority (DCRA)	Established to conserve, develop, and redevelop the central business district. The seven trustees are nominated by the city's mayor and approved by the city council. DCRA is designated to receive tax apportionment revenues for the tax increment districts of the city.

**I. B. 2. Related Organizations**

.37 Related organizations are excluded from the financial reporting entity because the city's accountability does not extend beyond making appointments. Audited financial statements are available from the respective organizations. Related organizations are described as follows:

<i>Related Organizations</i>	<i>Brief Description of Activities and Relationship to the city</i>
Lake Atoka Reservation Association (LARA)	Administer the Atoka Reservoir and its facilities. The managing board consists of the mayors of Durham City and Atoka, city manager of Durham City, Chairman of the Board of trustees of DCWUT, one member appointed by the governing body of Durham City, and three citizens of Atoka County appointed by the governing body of Atoka. The Association reports independently.

*(continued)*

<i>Related Organizations</i>	<i>Brief Description of Activities and Relationship to the city</i>
Durham City Urban Renewal Authority (DCURA)	Administer community development activities approved by the U. S. Department of Housing and Urban Development including projects jointly undertaken with the city. The five citizens who serve as the governing board are appointed by the mayor and confirmed by the city council. The city council has no significant influence over the management, budget, or policies of the authority. DCURA reports independently.
Durham City Housing Authority (DCHA)	Administer Federal funding or other financing, or both, for improvement of housing conditions in the city. The five citizens who serve as the governing board are appointed by the mayor and approved by the city council. The city has no significant influence over the management, budget, or policies of DCHA. The authority reports independently.
Durham City Industrial and Cultural Facilities Trust	Promote the development of industrial, manufacturing, cultural, and educational activities both inside and outside the corporate city limits. The five trustees are appointed by the Durham City Chamber of Commerce. The city has no significant influence over the management, budget, or policies of the trust. The trust reports independently.
Oklahoma County Utilities Services Authority (DCUSA)	Furnish water services to residents in rural areas of Oklahoma County who are not served by other water systems. Oklahoma County and the city are joint beneficiaries of the authority. The city has no significant influence over the authority operations, and no resident within the city's corporate limits is served by DCUSA. The authority reports independently.
Durham City Myriad Gardens Foundation (DCMGF)	Serve as conduit for charitable contributions intended to finance a portion of the Myriad Gardens development. The DCMGF Board of Directors comprises nineteen members. Eight are elected by the DCMGF Board. The remainder are selected by various community organizations including the city's mayor.
Civic Center Foundation (CCF)	Organized to advance charitable and educational purposes by providing for the improvement and support of the Civic Center in downtown Durham City. The CCF board of directors comprises 29 members. Six are appointed by the mayor with the remaining directors elected by the CCF board.

### *I. B. 3. Government-Wide and Fund Financial Statements*

#### *.38 Government-Wide Financial Statements*

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the city as a whole excluding fiduciary activities such as employee pension plans. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed, but the statements distinguish governmental activities, generally supported by taxes and city general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the city's services; (2) operating grants and contributions, which finance annual operating activities including restricted investment income; and (3) capital grants and contributions, which fund the acquisition, construction, or rehabilitation of capital assets

and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

#### *Fund Financial Statements*

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual, governmental, and enterprise funds are reported in separate columns with composite columns for nonmajor funds.

#### ***I. B. 4. Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

.39 The financial statements of the city are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The city's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The city's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to city departments. Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements and financial statements of city component units also report using this same focus and basis of accounting, although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied, while grants are recognized when grantor eligibility requirements are met.

Pension trust funds recognize employer and participant contributions in the period in which contributions are due, and the city has made a formal commitment to provide the contributions. Retirement benefits and refunds are recognized when due and payable in accordance with the terms of the plan. See note VI. The Agency Fund is custodial in nature and does not measure results of operations.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The city considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, hotel/motel taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received. See note III. A. 2. for related information.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as nonoperating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the city's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities in the financial statements. *Investments, noncurrent* report assets restricted for acquisition or construction of noncurrent assets, or are restricted for liquidation of long-term debt. See note III. A. 4. for information describing restricted assets.

*Allocation of Indirect Expenses*

The city allocates indirect expenses primarily comprised of central governmental services to operating functions and programs benefiting from those services. Central services include overall city management, centralized budgetary formulation and oversight, accounting, financial reporting, payroll, procurement contracting and oversight, investing and cash management, personnel services, and other central administrative services. Allocations are charged to programs based on use of central services determined by various allocation methodologies. These charges are separately reported in the statement of activities. As a matter of policy, certain functions that use significant central services are not charged for the use of these services. These functions or programs include police, fire, and certain divisions within public services and parks.

*I. B. 5. Fund Types and Major Funds**.40 Governmental Funds*

The city reports the following major governmental funds:

*General Fund*—Reports as the primary fund of the city. This fund is used to account for all financial resources not reported in other funds.

*Debt Service Fund*—Accounts for the accumulation of financial resources for the payment of principal and interest on the city's general obligation debt. The city annually levies ad valorem taxes restricted for the retirement of general obligation bonds, interest, and judgements. This fund reports ad valorem taxes collected to service debt.

*Grants Management Fund*—Established as a special revenue fund to account for the city's grant programs not reported in proprietary funds. Grants include Community Development Block Grants.

*City and Schools Sales Tax Fund*—Established as a special revenue fund by city ordinance as the Durham City Metropolitan Area Public Schools Sales Tax Fund to account for a limited purpose, limited term sales tax designated for certain public school capital projects.

*General Obligation Bonds Fund*—Accounts for the capital expenditure of general obligation bond proceeds and reports as a capital projects fund.

*Proprietary Funds*

The city reports the following major enterprise funds:

*DCAT Fund (Durham City Airport Trust)*—Accounts for airport related construction, contracting, debt, and other matters requiring commitment for more than one fiscal year.

*DCWUT Fund (Durham City Water Utilities Trust)*—Accounts for transactions relating to water utilities construction, contracting, debt, and other matters requiring commitment for more than one fiscal year.

*Water Utilities Fund*—Accounts for the operating activities of the city's water utilities services.

*MCA Fund (McGee Creek Authority)*—Accounts for the purchase of water storage rights, outstanding debt, and related operations at the McGee Creek Reservoir.

*Other Fund Types*

The city also reports the following fund types:

*Internal Service Funds*—Account for the financing of goods or services provided by one department to other departments within the city on a cost-reimbursement basis. These include fleet services,

risk management, information technology, print shop, and central financing services. These proprietary funds are reported with governmental activities in the government-wide financial statements.

*Pension Trust Funds*—Report fiduciary resources held in trust and the receipt, investment, and distribution of retirement contributions. The city’s pension trust funds are limited to nonuniformed employees and employees of COTPA. See note VI. A. 1.

*Agency Fund*—Accounts for fiduciary assets held by the city in a custodial capacity as an agent on behalf of others. The city’s agency fund is used to account for various deposits, bail bonds, performance bonds, and escrow monies.

## I. C. Assets, Liabilities, and Net Assets or Equity

### I. C. 1. Cash and Investments

.41 The city council updated and adopted formal deposit and investment policies in January 2002. These policies apply to all city funds not contained in public trusts. In addition, public trusts including the DCWUT, DCPA, DCEAT, DCMFA, DCMAPS, DCZT, COTPA, and DCRRA formally adopted the city’s deposit and investment policies. The city treasurer manages the unrestricted investments of these trusts except for DCZT where investments are managed independently. Where applicable, public trusts are subject to the deposit and investment policy specified in their respective bond indentures for restricted deposits and investments. The DCAT public trust separately adopted an investment policy, and public trusts including MCA, Port Authority (no investments), and DCRA have no adopted deposit and investment policy other than investment restrictions specified in applicable bond indentures. These trusts do not participate in the deposit and investment policies adopted by the city. Pension trust funds have investment policies separately approved by their respective oversight boards. Indenture restrictions and provisions of the city, public trust, and pension trust policies governing deposits and investments are discussed in note III. A. 1.

The city maintains and controls three major cash and investment pools in which funds of the primary government share. Each fund’s portion of a pool is displayed on its respective balance sheet or statement of fund net assets as “pooled cash and cash equivalents.” In addition, nonpooled cash and investments are separately held and reflected in respective funds or component units as “nonpooled cash” and “investments,” some of which are restricted assets. For additional information concerning restricted accounts, see notes I. B. 4. and III. A. 4. The cash and investment pools and nonpooled cash are classified as cash equivalents in order to appropriately report investment activity.

Investments are reported at fair value which is determined using selected bases. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Managed funds related to the retirement systems not listed on an established market are reported at estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities. Cash deposits are reported at carrying amount which reasonably estimates fair value. The composition of pension trust investments, additional cash and investment information, and fair values are presented in note III. A. 1.

### I. C. 2. Transferred Investment Income

.42 Investment income, which includes changes in the fair value of investments, associated with the Agency Fund is administratively assigned and transferred to the General Fund. Investment income related to the General Obligation Bonds Fund and other immaterial residual balances in certain other funds are also assigned and transferred to the General Fund.

**I. C. 3. Inventories and Prepaids**

.43 Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used. Proprietary fund and similar component unit inventories are recorded at cost on a first-in, first-out basis.

Prepaids are payments to vendors that benefit future reporting periods also reported on the consumption basis. Both inventories and prepaids are similarly reported in government-wide and fund financial statements.

**I. C. 4. Capital Assets, Depreciation, and Amortization**

.44 The city’s property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. Proprietary and component unit capital assets are also reported in their respective fund and combining component units financial statements. Donated assets are stated at fair value on the date donated. The city generally capitalizes assets with cost of \$7,500 or more as purchase and construction outlays occur. Assets purchased or constructed with grants are an exception. These assets are capitalized at cost of \$5,000 or more. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	10–50
Infrastructure and improvements other than buildings	10–50
Mobile equipment, furniture, machinery, and equipment	5–20

Water storage rights are recorded at historical cost and amortized over 40 years using the straight-line method. For information describing capital assets, see note III. A. 3.

**I. C. 5. Capitalized Interest**

.45 Interest costs are capitalized when incurred by enterprise funds and similar component units on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. The following funds are affected (in thousands):

	<i>Total Cost Incurred</i>	<i>Interest Revenue Used to Offset Interest Costs</i>	<i>Capitalized Interest</i>
<b>Primary Government</b>			
DCAT Fund	\$14,107	\$433	\$ 872
DCWUT Fund	12,429	360	5,976
DCEAT Fund	257	293	36
DCPPA Fairgrounds Fund	2,601	540	260
<b>Component Unit</b>			
COTPA	2,743	93	354

**FSP \$13,400.43**



***I. C. 6. Long-Term Debt, Deferred Debt Expense, and Bond Discounts/Premiums***

.46 In the government-wide, proprietary, and component unit financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

***I. C. 7. Fund Equity***

.47 The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes beyond the restrictions applicable to the fund.

**I. D. Revenues, Expenditures, and Expenses**

***I. D. 1. Lease Revenue***

**.48 DCAT Fund**

The DCAT Fund leases its property to commercial airlines, car rental companies, concessionaires, several fixed base operators who service the airline industry, and the Federal Aviation Administration. These leases are noncancelable operating leases. Minimum rentals on noncancelable leases for the next five years are as follows (in thousands):

Year	2007	2008	2009	2010	2011	Total
Amount	\$34,694	\$30,551	\$26,876	\$25,506	\$24,477	\$142,104

Several of the leases included in the balances shown in the previous schedule include rental amounts that are redetermined annually based on formulas prescribed in the individual lease agreements. The minimum future rentals for these leases were determined using the rates in effect at fiscal year-end. The DCAT Fund also has several leases that require the lessee to remit a percentage of its revenue as the rental charge. Rental income under leases of this type is not included in the future minimum rental amounts. Rental income for fiscal year 2006 received through these leases was approximately \$4.7 million. The actual income to be received in future periods cannot be known due to the nature of these leases. Also see note III. A. 3. for additional information relating to leased assets.

***DCZT***

The DCZT sub-leases approximately 370 acres of land owned by the city which DCZT leases to Oklahoma Racing Associates (lessee) for the operation of a race track. Minimum lease payments to be received by the DCZT under this lease agreement approximate \$507,000 annually and aggregate to \$6.9 million for fiscal years 2007–2017. In addition to the fixed lease payments described, the lessee agrees to pay the DCZT one-half of one percent of the total amount wagered at the leased property in excess of \$187 million for all races conducted on the leased property during a racing season and one percent of the gross gaming revenues in excess of \$60 million each year. No contingent rental revenue was earned during fiscal year 2006.

***I. D. 2. Compensated Absences***

.49 Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the city. Sick leave accrues to full-time, permanent employees to specified maximums. Generally, after one year of service, employees are entitled to a percentage of their sick leave balance and all accrued vacation leave upon termination. Police officers and firefighters are not entitled

to their proportionate sick leave balance until they retire or become disabled. However, most of these employees historically remain with the city until retirement. Selected management employees are entitled to all accrued sick and vacation leave balances at termination. The estimated liabilities include required salary-related payments. Compensated absences are reported as accrued in the government-wide, proprietary, fiduciary, and component unit financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees which are included in wages and benefits payable.

## II. Stewardship, Compliance, and Accountability

### II. A. Deficit Fund Net Assets/Fund Balance

.50 Deficits related to the primary government not visible in the basic financial statements are as follows:

- *DCPPA General Purpose Fund.* Deficit fund balance of \$3.038 million is the result of economic development activities. See note III. B. 1.
- *Solid Waste Management Fund.* Deficit net assets of \$541,000 are the result of increased labor and fuel costs over the past year. The DCEAT Fund provides subsidies to support the Solid Waste Management Fund.
- *Transportation Fund.* Deficit net assets of \$209,000 are the result of revenue and subsidy inadequate to cover expenses including the accrual of compensated absences. Compensated absences are funded when paid.
- *Information Technology Fund.* Deficit net assets of \$1,000 are the result of charges for services inadequate to cover expenses including depreciation and the accrual of compensated absences. Information Technology capital asset acquisitions are subsidized by other city funds, and compensated absences are funded when paid.
- *DCMFA Services Fund.* Deficit net assets of \$18.623 million are the result of increased workers' compensation liabilities. Management continues to evaluate funding levels for workers' compensation liabilities.

Deficits resulting from accrual reporting do not constitute violations of Oklahoma state statutes.

### II. B. Budgetary Information

#### II. B. 1. Budget Policy and Practice

.51 The city manager submits an annual budget to the city council in accordance with the city charter and the Oklahoma Municipal Budget Act. The budget is presented to the city council for review, and public hearings are held to address priorities and the allocation of resources. In June, the city council adopts the annual fiscal year budgets for city operating funds. Once approved, the city council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Public trusts submit budgets and other planning documents to their respective governing bodies. Other funds budgeted on a project-length basis are also subjected to the council review and approval process. The Grants Management Fund is a major special revenue fund that budgets on the project-length basis.

#### II. B. 2. Basis of Budgeting

.52 Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services, other services and charges, supplies, capital outlay, transfers, and debt service. Budget revisions at this level are managed administratively and reported to the city council. The legal level of control

is by department within a fund. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations without council approval. Revisions to the budget were made throughout the year.

The budgets for the operating funds and proprietary fund operations are prepared on the cash and expenditures/encumbrances basis. Revenues are budgeted in the year receipt is expected; expenditures are budgeted in the year that the applicable purchase orders are expected to be issued. The Debt Service Fund budget is prepared to provide funding for general obligation debt service when liabilities are due for payment. The budget and actual financial statements are reported on these bases. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

### III. Detailed Notes on Funds and Component Units

#### III. A. Assets

##### III. A. 1. Deposits, Investments, and Securities Lending (In Thousands)

.53 For discussion of adopted deposit and investment policy and other related information, see note I. C. 1.

##### Deposits

**Custodial credit risk** for deposits is the risk that in the event of a bank failure, the city’s deposits may not be returned or the city will not be able to recover collateral securities in the possession of an outside party. The city’s policy requires deposits to be 110 percent secured by collateral valued at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC). Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service, as determined by a rating of C minus or above by independent rating agencies. Collateral agreements must be approved prior to deposit of funds as provided by law. The city council approves and designates a list of authorized depository institutions based on evaluation of solicited responses and certifications provided by financial institutions and recommendations of an evaluation committee or the city treasurer, or both. **Custodial credit risk** for deposits is not formally addressed by bond indentures or pension trust policy. Indentures require that restricted deposits be maintained by the trustee bank specified in the indenture. Pension trust investment policy restricts uninvested cash to minimal balances generally covered by the FDIC.

Except for the DCRA, deposits of the city’s reporting entity are insured or collateralized with securities held by the city, its agent, or by the pledging financial institution’s trust department or agent in the name of the city or applicable public trust. DCRA cash deposits of \$189,000 are uninsured and uncollateralized.

##### Investments

As of June 30, 2006, the city’s reporting entity had the following investments:

Types of Investments	Fair Value/Carrying Amount	Cost	Average Credit Quality/Ratings (1)	Effective Duration (2)	Weighted Average Months to Maturity (2)
<b>Primary Government</b>					
<b>POOLED INVESTMENTS:</b>					
Money market funds	\$ 40,754	\$ 40,754	AAAm/Aaa		1.40
U.S. Treasury notes	51,462	51,184	N/A		8.20
U.S. Treasury strips	8,650	8,120	AAA/Aaa		9.93
Federal agency notes	157,838	161,274	AAA/Aaa		9.22
Total pooled investments (3)	258,704	261,332			

(continued)

Types of Investments	Fair Value/Carrying Amount	Cost	Average Credit Quality/ Ratings (1)	Effective Duration (2)	Weighted Average Months to Maturity (2)
<b>NONPOOLED INVESTMENTS:</b>					
U.S. Treasury notes	21,665	21,789	AAA/Aaa		9.12
U.S. Treasury strips	7,230	6,805	AAA/Aaa		10.23
U.S. Treasury bills	61,470	61,456	AAA		3.16
Federal agency notes	193,801	224,210	AAA/Aaa		10.03
Fannie Mae	446	467	N/A		5.07
Repurchase agreements	8,702	8,702	N/A		84.75
Treasury money market fund	187,567	187,567	AAAm/Aaa		1.00
Guaranteed investment contracts	2,912	2,912	AA/A-		2.10
Guaranteed investment contracts	6,653	6,653	AA2m/AA		.20
Certificates of deposit	1812	1812	N/A		.16
Total nonpooled investments	<u>492,258</u>	<u>522,373</u>			
Total primary government investments (nonfiduciary)	<u>\$ 750,962</u>	<u>\$ 783,705</u>			
<b>Fiduciary Funds</b>					
Common stock:					
Domestic	\$ 51,051	\$ 41,383	N/A	N/A	
Government Securities:					
U.S. Treasury notes	4,737	4,798		4.57	
U.S. Treasury strips	923	866		14.97	
U.S. Treasury bonds	2,685	2,894		11.71	
U.S. Treasury tips	4,184	4,262		12.52	
Federal agency notes	36,365	36,744	AAA	4.23	
Corporate obligations:					
Domestic	35,233	36,010	AA	5.35	
International	48,969	40,786	BBB	7.63	
Treasury money market fund	15,918	15,918	AAA		
Foreign government obligations	2,637	2,683	A3/A-	8.43	
Securities lending short-term collateral investments					
	15,075	15,075	AAA	1 day	
Durham City judgements	1,894	1,894	N/A	N/A	
Mutual funds:					
Equity	271,212	198,684	N/A	N/A	
Bond	3,745	3,416	AAA	5.46	
Other	23,802	23,832	AA2	4.79	
Total fiduciary investments (4)	<u>\$ 518,430</u>	<u>\$ 429,245</u>			
<b>Component Units</b>					
U.S. Treasury strips	\$ 9,440	\$ 9,218	AAA/Aaa		13.67
U.S. Treasury notes	27,472	27,679	N/A		13.37
Mutual funds	1,137	1,137	AAA/Aaa		.03
Federal Agency notes	136,830	138,411	AAA/Aaa		13.58
Money market funds	37,921	37,921	AAAm/Aaa		1.19
Total component unit investments	<u>212,800</u>	<u>214,366</u>			
Grand total investments	<u>\$1,482,192</u>	<u>\$1,427,316</u>			

- (1) Ratings are provided where applicable to indicate associated Credit Risk. N/A indicates not applicable.
- (2) **Interest Rate Risk** is estimated using either duration or weighted average months to maturity depending on the respective policy. Amounts are shown in months except as otherwise noted.
- (3) Investments in the pools are not separately reported in the financial statements as ownership of investments cannot be assigned to individual funds and include fiduciary funds. Therefore, total investments will not tie to the financial statements.
- (4) Fiduciary investments on loan are included in the schedule and described in the Securities Lending Transactions disclosure later in this note.

The composition of pension trust fund and fiduciary component unit investments at fair value is shown in the following table. Securities lending invested collateral is not included.



*Investment Policies*

Investment policies for the city's reporting entity are maintained by the city Treasurer. Copies may be requested at the address shown in note I. B. 1. Summarizations follow in subsequent sections of this note.

*City Policy*

**Credit Risk** is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the city's investing activities are managed under the custody of the city Treasurer. Investing is performed in accordance with investment policies adopted by the city council complying with state statutes and the city charter. City funds may be invested in: (1) direct obligations of the U.S. government, its agencies or instrumentalities to the payment of which the full faith and credit of the U.S. government is pledged, or obligations to the payment of which the full faith and credit of the State of Oklahoma is pledged; (2) obligations of the Government National Mortgage Association, Federal National Mortgage Association, or Federal Home Loan Mortgage Corporation, or any Federal farm credit bank, Federal land bank, or Federal home loan bank notes or bonds; (3) collateralized or insured certificates of deposit and other evidences of deposits at banks, savings and loan associations, and credit unions located in the city when secured by appropriate collateral; (4) repurchase agreements that have underlying collateral of obligations of the U.S. government, its agencies, and instrumentalities; (5) money market funds regulated by the Securities and Exchange Commission which consist of authorized domestic securities with restrictions as specified in state law; (6) State and Local Government Series (SLGS); and (7) city direct debt obligations for which an ad valorem tax may be levied or bonds issued by a public trust of which the city is a beneficiary and judgements rendered against the city by a court of record, provided it is a prudent investment.

Under the city policy, the city may not invest in reverse repurchase agreements, derivative instruments created from, whose value depends on, or is derived from, the value of one or more underlying assets or indices of asset values or has no call options, or both, prior to the city's desired maturity or is a variable rate instrument. Collateralization is further restricted to permitted investments shown previously as items (1) and (2).

**Interest Rate Risk** is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The city policy provides that to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities. Unless matched to a specific cash flow, investments are not made in securities maturing more than five years from the date of purchase. Certificates of deposit may not be purchased with maturities greater than 365 days from date of purchase. **Concentration of Credit Risk** is the risk of loss attributed to the magnitude of the city's investment in a single issuer. Cumulatively, portfolios of the city may not be invested in any given financial institution in excess of 5 percent of such institution's total assets. Additionally, no more than 5 percent of the total city portfolio may be placed with any single financial institution with the exception of repurchase agreements. U.S. government securities, SLGS, and city judgments are excluded from these restrictions.

Except in instances of specifically matched cash flows, the portfolio is structured as follows:

<i>Investment Type Limitations</i>		<i>Investment Type Limitations</i>	
<i>Percentage of Total Invested Principal</i>		<i>Percentage of Total Invested Principal</i>	
	<i>Maximum % (1)</i>		<i>Maximum % (3)</i>
0-1 year	100%	Repurchase agreements	100%
1-3 years	90	U.S. Treasury securities (2)	100
3-5 years	90	Certificates of deposit	50
		Money market funds	100
		Savings accounts	100

<i>Investment Type Limitations Percentage of Total Invested Principal</i>	<i>Investment Type Limitations Percentage of Total Invested Principal</i>
<u>Maximum % (1)</u>	<u>Maximum % (3)</u>
	U.S. noncallable agencies securities 100
	Durham City judgments 5

- (1) For maturities limited to 0–1 year, the minimum percentages allowed under the policy are 5–25%.
- (2) Includes SLGS.
- (3) For investments listed, there is no minimum percentage specified under the policy.

City policy also allows surplus cash, certificates of deposit, and repurchase agreements to be collateralized with securities with longer maturities if such maturity does not exceed ten years.

For investments, **custodial credit risk** is the risk that, in the event of the failure of the counterparty, the city will not be able to recover the value of its investments or collateral securities in the possession of an outside party. City policy provides that investment collateral is held by a third party custodian with whom the city has a current custodial agreement in the city’s name or be held in the name of both parties by the Federal Reserve Bank servicing Oklahoma.

The city’s policy is more restrictive than the requirements of Oklahoma law found in Titles 11, 62, and 74 of Oklahoma statutes as follows: Statutes allow investment in any agencies or instrumentalities of the U.S. government; negotiable certificates of deposit are permitted investments without collateralization restrictions (limited to 10 percent of investable funds and not more than half of the 10 percent may be invested in any one financial institution); prime banker’s acceptances are acceptable (limited to 270 days maturity or less and may comprise no more than 10 percent of investable funds with no more than half of the 10 percent in any one commercial bank); prime commercial paper is also permitted (restricted to 180 days maturity or less and may not comprise more than 10 percent of the outstanding paper of an issuing corporation with no more than 7.5 percent of investable funds permitted to be in commercial paper); purchase of municipal direct debt is not limited to Durham City direct debt and may include Oklahoma counties and school districts.

*Public Trust Indenture Restrictions and Separate Investment Policy*

Public trust nonpooled cash and investments are restricted in purpose by the policies incorporated in applicable bond indentures. **Credit risk** policy generally restricts investing to cash, investments fully insured by the FDIC, and U.S. government agencies (obligations not fully guaranteed must meet rating criteria Moody’s AA2 or better, or similarly rated by Standard and Poor’s). These include principal only and interest only strips if held by a third party, certificates of deposit, guaranteed investment contracts, commercial paper, Oklahoma municipal debt, and mutual funds or money market funds invested in obligations of the U.S. government, repurchase agreements comprised of these investment types or investment agreements approved by AmBac. There is some variation among the investments authorized by the respective indentures relating primarily to specified government agencies obligations. Trustee bank departments provide the management of restricted, nonpooled investments. **Custodial credit risk** for investments is not addressed by bond indentures.

**Interest rate risk** in public trust bond indentures provide that investments mature in no more than six to sixty months depending on the purpose of the funds and the requirements of the account in which funds are deposited (that is, construction, reserve, or operations and maintenance.) **Concentration of credit risk** is not addressed.

Trustees for the DCAT adopted a separate investment policy in addition to the investment provisions of bond indentures. This separate policy, not limited to restricted funds subject to indenture requirements, provides that the trust invest in general obligations of the United States with maturities not to exceed a term of five years of the intended date of use of said funds.

Trust investment policy is more restrictive than the requirements of Oklahoma law found in Title 60 of the Oklahoma statutes and the standards of the Oklahoma Uniform Prudent Investor Act. These statutes restrict public trust investing to the Prudent Investor Rule defined by Title 60 Oklahoma statutes to consider the purposes, terms, distribution requirements, and other circumstances of the trust and to exercise reasonable care, skill, and caution. Investment decisions must be evaluated not in isolation, but in the context of the trust portfolio as a whole and as a part of the overall investment strategy having risk and return objectives reasonably suited to the trust.

#### *Pension Trust Policy*

The city's two pension trusts are the Durham City Employee Retirement System (DCERS) and the Central Oklahoma Transportation and Parking Authority Retirement Trust (COTPA Retirement). Investment policies provide for investment manager(s) who have full discretion of assets allocated to them subject to the overall investment guidelines set out in the policies. Manager performance is reviewed by a consultant who provides reports to the respective governing boards. Any changes in the investment management firm must be reported as they occur. Overall investment guidelines provide for diversification and allow investment in domestic and international common stocks, fixed income securities, cash equivalents, index funds, collective trust funds, mutual funds, and city judgments (DCERS only). Both plans address **custodial credit risk** similarly with policy providing for the engagement of a custodian who accepts possession of securities for safekeeping; collects and disburses income; collects principal of sold, matured, or called items; and provides periodic accounting to the respective pension boards. The pension trust funds hold \$391.5 million in common stock or stock funds. Of this amount, \$102.4 million is held by the investment counterparty, not in the name of the pension fund or the city. The DCERS participates in securities lending. See subsequent securities lending disclosure for policy discussion. Securities lending short-term collateral of \$14.7 million is held by the investment counterparty, not in the name of the pension fund or the city.

Asset allocation guidelines for the two plans are as follows:

	<i>COTPA Retirement</i>			<i>DCERS</i>		
	<i>Minimum</i>	<i>Target</i>	<i>Maximum</i>	<i>Minimum</i>	<i>Target</i>	<i>Maximum</i>
Equities				35%	50%	65%
Domestic	30%	60%	65%			
International	5	10	15	5	10	15
Fixed income (1)	30	30	65	25	40	55

(1) For the DCERS, fixed income includes cash.

**COTPA Retirement** addresses **credit risk** and **concentration of credit risk** with policy that prohibits investment of more than 5 percent of its assets in the securities of any one issuer with the exception of the U.S. government. Policy further prohibits investment of more than 20 percent in any one market sector. Fixed income securities must be rated at least A. Commercial paper must be rated A1, P1. Repurchase agreements must be collateralized by U.S. government/agency assets. Cash may not exceed 5 percent of the equities portfolio. The fixed income portfolio may be invested 100 percent in cash equivalents or fixed income securities maturing in 30 years or less.

**Interest rate risk** is addressed by the policy requiring that the active fixed income manager(s) maintain portfolio duration at a minimum of 50 percent and a maximum of 150 percent of the Lehman Brothers Aggregate Bond Index (LAGG=100).

**DCERS** policy provides risk parameters for various portfolio compositions. These address **credit risk**, **concentration of credit risk**, **interest rate risk**, and **foreign currency risk** applicable to the portfolio. DCERS contractually delegates portfolio management to investment managers based on these prescribed portfolio structures. Domestic equity securities (common stock or equivalent) must be traded on a major U.S. exchange and may include issues convertible to common stocks. International equity securities are nonU.S. issues



whose principal markets are outside the U.S. In general, cash may not exceed more than 10 percent of any equity manager's portfolio. Portfolio parameters are as follows:

*Large cap domestic portfolio* investment in equity securities may not exceed 10 percent of an individual equity, 10 percent of the market value of the individual portfolio, or 10 percent of any company's outstanding equity.

*Small cap portfolio* investment in equity securities may not exceed 5 percent of an individual equity, 10 percent of the market value of the individual portfolio, or 5 percent of any company's outstanding equity.

*International portfolio* investment policy designates that no single stock may exceed 5 percent of the market value of the individual portfolio or 5 percent of any company's outstanding equity. Cash assets may be invested in short-term fixed income investments denominated in U.S. dollars or foreign currencies. Fixed income should not exceed 10 percent of the individual portfolio.

*Core fixed income* investment may include any amount of U.S. government or U.S. government agencies obligations. Corporate bonds are diversified by industry and no more than 5 percent of any issuer. Mortgages and mortgage-backed securities are permitted. Bonds must have a minimum quality rating of BBB with overall portfolio average credit quality of AA or higher. International bonds may not exceed 20 percent of an individual portfolio and no more than 5 percent may be invested in one country. Convertible securities or preferred stock may not exceed 5 percent of the portfolio. Average option adjusted duration of the portfolio shall approximate the option adjusted duration of the relevant benchmark designated as the Lehman Brothers Aggregate Bond Index.

*Core plus fixed income* investment is structured to include 80–100 percent domestic securities and 0–20 percent high yield, emerging market, nondollar securities which may include below investment grade corporate bonds. Other provisions are similar to the core fixed income portfolio with exceptions for bonds limited to 2 percent and neither cash nor structured notes, as individual investment types, may exceed 5 percent of the total portfolio. Derivatives may be used on a limited basis to eliminate undesirable risk. No more than 5 percent of the portfolio will be invested in original futures margin and option premiums. Swap contracts may be executed with counterparties whose credit rating is A2/A or better. Average option adjusted duration of the portfolio shall approximate the option adjusted duration of the relevant benchmark designated as the Lehman Brothers Aggregate Bond Index, within a band of plus or minus 20 percent. On an ongoing basis, cash should not exceed 5 percent of the portfolio.

Pension trust investing is restricted by Oklahoma statutes to the Prudent Investor Rule. See discussion of *Public Trust Indenture Restrictions and Separate Investment Policy*.

#### *Securities Lending Transactions*

City ordinance and the Board of trustees permit the DCERS to lend securities with a simultaneous agreement to return collateral for the same securities in the future with agent indemnification in the event of borrower default. Securities lent may consist of both equity and fixed income securities. Collateral may consist of cash or securities issued or guaranteed by the U.S. Government or its agencies or letters of credit. The DCERS may use or invest cash collateral at its own risk. However, collateral other than cash may not be pledged, sold, or otherwise transferred without borrower default. During fiscal year 2006, substantially all collateral consisted of cash. The DCERS's securities custodial bank is the agent in lending the plan's securities for cash collateral of 102 percent. At year-end, the DCERS has no **credit risk** exposure to borrowers because the amounts the DCERS owes the borrowers exceed the amounts the borrowers owe the DCERS. The contract with the lending agent requires them to indemnify the DCERS if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the DCERS for income distributions by the securities' issuers while the securities are on loan. **Custodial credit risk** for securities lending transactions is included in the previous discussion of *Pension Trust Policy*.

Securities lending transactions can be terminated on demand by either the DCERS or the borrower, although the average term of the loans is one day. The term to maturity of the securities lent is matched with the term to maturity of the investment of the cash collateral by investing in overnight repurchase agreements and master notes with overnight put provisions. The contract with the agent requires that the difference between the average weighted maturity of loan transactions and the average weighted maturity of permitted investments shall not exceed three days. Such matching existed at year-end. Net income produced from securities lending activities for fiscal year 2006 was \$48,000. The market value of securities on loan as of June 30 was \$14.7 million, comprised of: \$.4 million of corporate obligations, \$7 million of common stock, and \$7.3 million of U. S. government securities.

The DCERS also receives securities lending income as a participant in one of the managed (mutual) funds it holds as an investment. Within the fund, the DCERS does not own or hold specific identifiable securities that may be loaned or any corresponding collateral received as the result of transactions. The DCERS is not a direct party to the securities lending agreement. Risks, loaned securities, collateral, or other securities lending terms cannot be specifically assigned to the DCERS as a participant in the managed fund. Selection of and participation in the managed fund inclusive of securities lending activity was approved by the DCERS Board of trustees. DCERS income received from securities lending activities of the managed fund was \$29,000 for fiscal year 2006.

#### *Derivatives*

The DCERS is permitted to own derivative investments. However, DCERS investment policy restricts derivative investing with investment policy guidelines. Derivative investments comprise less than .5 percent of the DCERS portfolio.

### **III. A. 2. Receivables, Uncollectible Accounts, and Deferred Revenue**

#### **.54 Enterprise Receivables, Uncollectible Accounts, and Deferred Revenue**

Significant receivables include amounts due from customers primarily for utility services and use or rental agreements for the city's airports' facilities. These receivables are due within one year. Certain enterprise funds and similar component units report accounts receivable net of an allowance for uncollectible accounts and revenues net of uncollectibles. The allowance amount is estimated using accounts receivable past due more than 60 to 90 days, depending upon the fund. Related amounts are shown in the following table (in thousands):

	<u>Major Enterprise Funds</u>			<i>Other Enterprise Funds</i>	<i>Total Enterprise Funds</i>	<i>Component Units</i>
	<i>DCAT</i>	<i>DCWUT</i>	<i>MCA</i>			
Accounts receivable	\$5,255	\$18,505	\$24	\$7,513	\$31,297	\$520
Less: allowance for uncollectible accounts	—	(1,795)	—	(3,565)	(5,360)	(11)
Net accounts receivable	<u>\$5,255</u>	<u>\$16,710</u>	<u>\$24</u>	<u>\$3,948</u>	<u>\$25,937</u>	<u>\$509</u>
Uncollectible amounts netted with revenues	<u>\$ —</u>	<u>\$ 900</u>	<u>\$—</u>	<u>\$1,685</u>	<u>\$ 2,585</u>	<u>\$ 7</u>

The DCEAT Fund reported deferred revenue of \$3.191 million for accounts billed two months in advance of solid waste disposal services.

#### *Property Taxes Receivable, Deferred Revenue, and Property Tax Calendar*

Property taxes are collected and remitted to the city by four county governments. Taxes levied annually on November 1 are due, one-half by December 31 and one-half by March 31. Major tax payments are received December through April. Lien dates for real property are in June and October, respectively.

In the governmental fund financial statements, property taxes receivable are recorded in the Debt Service Fund fifteen days (taxpayer protest period) after the debt service budget is approved by the Excise Board. At fiscal year-end, the receivables represent delinquent and escrowed paid-under-protest taxes. Approximately \$1.680 million of the receivable comprises payments to the counties made under protest. If paid-under-protest and delinquent taxes are not paid within 60 days of year-end, they are recorded as deferred revenue.

In the government-wide financial statements, property taxes receivable and related revenue include all amounts due the city regardless of when cash is received. Over time, substantially all property taxes are collected.

*Intergovernmental Receivables, Deferred Revenue, and Noncurrent Notes Receivable*

Intergovernmental receivables are primarily comprised of amounts due from the Federal government (grants). Revenue is recorded as earned when eligibility requirements are met. Grant and certain other revenues deferred in the governmental fund financial statements include unearned revenue and revenue received more than 60 days following year-end (unavailable to pay liabilities of the current period). Deferred revenue received after 60 days is fully recognized as revenue in the government-wide statements if grantor eligibility requirements are met, as applicable. Also see note I. B. 4.

*Receivable for Insurance Recovery*

During fiscal year 2006, the Office of the city Auditor assisted the Police Department in investigating an embezzlement of DCPA income at the Lincoln Park Golf Course. Such losses exceeding the \$5,000 deductible are insured and recoverable. The expected insurance recovery of \$178,000 is reported in the DCPA Golf Courses Fund as a receivable at June 30, 2006. Losses were offset against the recovery.

**III. A. 3. Capital Assets**

**.55 Commitments**

Active construction in progress is composed of the following (in thousands):

	<u>Spent to June 30, 2006</u>	<u>Remaining Commitment</u>
<b>Primary Government</b>		
<i>Governmental Activities:</i>		
City-wide park improvements	\$ 9,788	\$ 21,773
Building renovations	14,289	11,523
Infrastructure	129,617	447,038
Metropolitan area projects (downtown development)	2,587	26
Economic development projects	6,957	17,949
<i>Business-Type Activities:</i>		
Airport renovations	\$ 62,473	\$ 10,949
Water utilities system improvements	68,037	26,335
Solid waste management	2,453	771
Drainage system improvements	465	3,117
Golf courses improvements	493	—
Fairgrounds improvements	14,900	40,101
<b>Primary Government</b>		
DCZT: Zoo improvements	\$ 9,441	\$ 995
COTPA: Transportation and parking system improvements	10,643	862
DCMAPS: Public school improvements	23,874	6,364
DCRA: Economic development	7,278	2,561

**FSP \$13,400.55**

Construction projects included in governmental activities are substantially funded with general obligation bond proceeds.

Business-type activities and COTPA include construction funded with the proceeds of revenue bonds and user charges. Other significant commitments include \$60 million for solid waste management (DCEAT Fund) service contracts funded by charges to users and \$248,000 for service contracts related to Oklahoma River projects funded with DCRRA general revenues. DCRA funds economic development with tax apportionment revenue.

Zoo improvements are substantially funded with the proceeds of revenue bonds and a continuing, dedicated sales tax. Public school improvements are funded with a temporary, dedicated sales tax.

*Changes in Capital Assets*

The following table provides a summary of changes in capital assets (in thousands):

	CAPITAL ASSETS, NOT DEPRECIATED		CAPITAL ASSETS, DEPRECIATED			Total
	Land	Construction In Progress	Buildings	Infrastructure and Improvements Other Than Buildings	Furniture, Machinery, and Equipment	
<b>Primary Government</b>						
<i>Governmental Activities</i>						
Balance, June 30, 2005	\$ 54,425	\$108,246	\$396,245	\$ 770,276	\$125,630	\$1,454,822
Increases	1,485	74,358	2,055	47,619	31,126	156,643
Decreases	(9)	(19,366)	(625)	(2,958)	(5,764)	(28,722)
Balance, June 30, 2006	55,901	163,238	397,675	814,937	150,992	1,582,743
Accumulated Depreciation						
Balance, June 30, 2005	—	—	108,146	305,528	74,714	488,388
Increases	—	—	7,302	28,309	11,809	47,420
Decreases	—	—	(26)	(101)	(1,636)	(1,763)
Balance, June 30, 2006	—	—	115,422	333,736	84,887	534,045
<i>Governmental Activities</i>						
Capital Assets, Net	\$ 55,901	\$163,238	\$282,253	\$ 481,201	\$ 66,105	\$1,048,698
<i>Business-Type Activities</i>						
Balance, June 30, 2005	\$ 52,570	\$149,643	\$497,313	\$1,160,970	\$117,426	\$1,977,922
Increases	8,679	94,911	44,466	84,374	8,204	240,634
Decreases	—	(95,733)	—	(13,437)	(635)	(109,805)
Balance, June 30, 2006	61,249	148,821	541,779	1,231,907	124,995	2,108,751
Accumulated Depreciation						
Balance, June 30, 2005	—	—	236,551	524,159	98,334	859,044
Increases	—	—	9,954	38,398	4,939	53,291
Decreases	—	—	—	(919)	(496)	(1,415)
Balance, June 30, 2006	—	—	246,505	561,638	102,777	910,920
<i>Business-Type Activities</i>						
Capital Assets, Net	\$ 61,249	\$148,821	\$295,274	\$ 670,269	\$ 22,218	\$1,197,831
<b>Primary Government</b>						
Capital Assets, Net	\$117,150	\$312,059	\$577,527	\$1,151,470	\$ 88,323	\$2,246,529
<b>Component Units</b>						
Balance, June 30, 2005	\$ 3,901	\$ 23,649	\$113,273	\$9,198	\$ 32,472	\$ 182,493
Increases	130	32,621	1,550	12,689	4,870	51,860
Decreases	—	(5,034)	(13,041)	(359)	(3,295)	(21,729)
Balance, June 30 2006	4,031	51,236	101,782	21,528	34,047	212,624
Accumulated Depreciation						
Balance, June 30, 2005	—	—	33,099	6,695	17,875	57,669
Increases	—	—	1,732	5,563	4,165	11,460
Decreases	—	—	(4,672)	—	(1,443)	(6,115)
Balance, June 30, 2006	—	—	30,159	12,258	20,597	63,014
<b>Component Units</b>						
Capital Assets, Net	\$ 4,031	\$ 51,236	\$ 71,623	\$ 9,270	\$ 13,450	\$ 149,610

Approximately \$232 million (cost of \$428 million and accumulated depreciation of \$196 million) of airports property is leased or held for lease to others as of June 30. See note I. D. 1.

#### *Depreciation Expense*

Depreciation expense was charged to functions of the primary government as follows (in thousands):

<i>Governmental Activities</i>		<i>Business-Type Activities</i>	
General government	\$ 4,190	Airports	\$16,938
Public safety:		Water utilities	30,968
Police	2,630	Solid waste management	923
Fire	2,062	Stormwater drainage	3,358
Other	1,283	Golf courses	1,067
Public services	25,371	Fairgrounds	31
Culture and recreation	11,559	Parking	6
Education	4		
Allocated internal service fund depreciation	321		

#### **III. A. 4. Restricted Assets and Restricted Net Assets**

.56 Certain proprietary fund and similar component unit assets are restricted for construction funded through long-term debt, debt service reserves, passenger facility charges, and Federal grants. Cash deposits are legally restricted for the payment of currently maturing debt service and customer deposits. Certificates of deposit (CD) issued in the city or trust name on deposit with the city Treasurer in lieu of project retainages are included with investments. Proceeds of restricted CD's are payable to the contractor on completion and approval of the project and reported as current liabilities. The primary government and component unit assets include restricted cash of \$3.639 million and \$42,000 for customer deposits and restricted investments of \$106.380 million and \$8.014 million listed respectively. See note I. B. 4. describing the priority for use of restricted and unrestricted assets.

Net assets restricted for debt service include the excess of assets over certain liabilities restricted for the debt service on revenue bonds. The government-wide statements include restricted net assets of \$265.373 million for public trusts reported as funds to reflect purpose restrictions contained in trust indentures. Net assets of governmental funds restricted by enabling legislation to specific purposes include Federal grants, limited purpose sales taxes, debt service, and general obligation bond ordinances totaling \$108.744 million. These restrictions are functionally classified in the *Statement of Net Assets*.

### **III. B. Liabilities**

#### **III. B. 1. Lease Commitments, Notes Payable, and Short-Term Debt**

##### *.57 Capital Leases and Notes Payable (dollars are in thousands)*

Outstanding capital lease agreements include the acquisition of copiers and printing equipment at cost of \$468 and a wastewater recycling system at cost of \$618. Notes payable were issued to improve portions of the downtown underground pedestrian tunnel at a cost of \$2,000; acquire golf carts at cost of \$481; finance reconstruction of golf course greens at cost of \$1,060; provide for off-season golf course operations of \$400; and finance economic development projects. The debt service for capital leases and notes payable are:

Year Ending June 30	Governmental Activities				Business-Type Activities				Component Unit					
	Capital Leases (1)		Internal Services		Notes Payable		Capital Leases		Notes Payable (2)		DCPPA Golf Courses		DCRA	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$155	\$13	\$57	\$11	\$529	\$650	\$16	\$46	\$535	\$42	\$255	\$516		
2008	93	2	58	10	1,851	793	18	45	149	31	315	494		
2009	—	—	32	1	606	709	19	43	157	23	437	466		
2010	—	—	—	—	1,594	630	21	42	165	15	459	431		
2011	—	—	—	—	634	579	23	40	164	7	773	395		
2012-2016	—	—	—	—	4,624	1,879	151	162	52	1	4,836	31		
2017-2021	—	—	—	—	2,903	872	237	77	—	—	—	—		
2022-2026	—	—	—	—	1,919	242	40	1	—	—	—	—		
Totals	\$248	\$15	\$147	\$22	\$14,660	\$6,354	\$525	\$456	\$1,222	\$119	\$7,075	\$2,333		
Range of interest rates	3.95%-9.96%		2.7%-10%		5.33%-6.62%		9%		3.25%-5.36%		7.75%			
Cost of assets	\$468		\$206				\$618							
Accumulated depreciation	\$82		\$52				\$478							

(1) For capital leases, totals of principal and interest components equal required minimum payments for periods shown, and total principal equals the net present value of these leases. See discussion of DCPPA noninterest bearing note payable supporting governmental activities following this schedule.

(2) DCPPA Golf Courses notes payable consists of loans from the DCMFA Services Fund shown in the financial statements as a *due to* and *advance*. The DCRA note may be *drawn down* to \$7 million in total with a variable interest rate 1/2% below prime. City-wide notes payable include Section 108 loans secured by the U.S. Department of Housing and Urban Development and use variable interest rates tied to prime. Interest is estimated using the rate in effect at June 30.

*DCPPA Long-Term, Noninterest Bearing Note Payable*

The DCPPA received a noninterest bearing loan of up to \$780,000 from the Oklahoma Department of Commerce for the remediation of hazardous waste materials in the Skirvin Hotel. Repayment of the loan is deferred for five years. Annual payments of \$5,000 commence February 1, 2010. A loan origination fee of \$15,600 will apply if the loan is not repaid in full prior to February 2015. At June 30, the DCPPA has drawn \$718,000 against the total. The DCPPA General Purpose Fund reports this draw as *capital financing*. The balance is reported in the Government-wide statements as *notes, lease obligations, and estimated claims payable, noncurrent*. Because of its unusual terms, this loan is not included in the *Capital Leases and Notes Payable* debt service schedule.

*Operating Leases*

The reporting entity entered into a number of operating leases which contain cancellation provisions and are subject to annual appropriations. For fiscal year 2006, rentals approximated \$312,000 for such leases. These leases primarily support governmental activities.

*DCPPA Line of Credit—Tax Increment Financing (TIF) Districts #2 and #3*

In April 2002, the city acquired the Skirvin Hotel (Skirvin) for \$2.875 million as part of continuing downtown redevelopment projects. Federal grants funded the purchase of the property and environmental remediation. On June 21, 2005, the DCPPA approved a revolving line of credit (LOC) with JPMorgan Chase for \$15 million with a rate of 30 day London Interbank Offer Rate (LIBOR) plus 45 basis points with semi-annual payment of accrued interest December 1 and June 1 beginning December 1, 2005, and principal repayment extended by mutual agreement of the parties from June 1, 2006, to June 1, 2007. The LOC provides interim financing for immediate funding requirements for the Skirvin and other projects. The principal due under the LOC will be secured by the proceeds of a permanent fixed rate financing by the Downtown Tax Increment Districts #2 and #3 and through a security agreement providing a moral (not legal) obligation of the city to pay any interest and principal due on the loan. As of June 30, 2006, \$10.993 million has been drawn against the line of credit. This indebtedness is reported in the DCPPA General Purpose Fund with *notes payable, current*. Of this amount, \$10,930 is due from the DCRA reported as *Payable to primary government*.

*DCPPA Line of Credit—TIF Districts #4 and #5*

In October 2004, Dell Incorporated (Dell) selected Durham City as the permanent site of the Dell Business Services Center. In November 2004, the city council approved incentives to be provided to Dell as a result of the selection of the city. Incentives include land and infrastructure improvements to the site along with job creation grants. In December 2004, the DCPPA approved the incurrence of indebtedness to JPMorgan Chase for a \$12 million LOC with a rate of LIBOR (30 day) plus 45 basis points with full repayment due on or before December 15, 2006. The financing requires a moral (not legal) pledge by the city in the event that proceeds of the tax increment debt issued by a city beneficiary trust are insufficient to repay the LOC. In March 2005, the DCPPA increased the line of credit by an additional \$4 million to \$16 million to fund a site improvement contract for dynamic compaction. As of June 30, 2006, \$10.529 million has been drawn against the line of credit. The indebtedness is reported in the DCPPA General Purpose Fund with *notes payable, current*.

*DCPPA Line of Credit—TIF District #6*

In August 2005, the city approved issuance of an LOC to provide interim financing for the Las Rosas residential development project. The project will fund infrastructure improvements to attract single-family residential units and other private investments to this economically disadvantaged area. The project will be permanently funded with the proceeds of tax increment bonds to be issued by the DCPPA. In November 2005, the city and the DCPPA approved the LOC with JPMorgan Chase for \$2.75 million with a rate of LIBOR plus 45 basis points with full repayment due on or before December 1, 2007 with renewal options to 2010. The financing requires an agreement of support whereby the city expresses its intent to pay and agrees on a



year to year basis to provide funds to the DCPPA sufficient to pay the principal and interest on the LOC note or offer the assistance necessary for DCPPA to issue tax increment bonds for the purpose of retiring the LOC note, or both. As of June 30, 2006, \$892,000 has been drawn against the line of credit. The indebtedness is reported in the DCPPA General Purpose Fund with *notes payable, current*.

A summary of the changes in short-term debt is shown in the table on the following page (dollars are in thousands).

<u>Description</u>	<u>Balance July 1, 2005</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2006</u>
<b>Primary Government</b>				
<i>Governmental Activities</i>				
DCPPA General Purpose:				
TIF #2 and #3	\$ 28	\$11,804	\$839	\$10,993
TIF #4 and #5	9,029	1,500	—	10,529
TIF #6	—	892	—	892
Totals	<u>\$9,057</u>	<u>\$14,196</u>	<u>\$839</u>	<u>\$22,414</u>

**III. B. 2. Long-Term Debt**

**.58 Long-Term Debt Supporting Governmental Activities**

General obligation bonds, issued by Durham City for various municipal improvements, are approved by the voters and repaid with property taxes recorded in the Debt Service Fund. These bonds are required to be fully paid within 25 years from the date of issue and are backed by the full faith and credit of the city. The city has no debt outstanding subject to legal debt limitations. The city’s borrowing capacity is restrained by maintaining the city’s debt at a responsible level. Other debt issued to support governmental activities is repaid as follows: compensated absences are paid from the fund responsible for the employee’s compensation with significant liabilities payable from the General Fund; lease obligations are primarily paid from the General Fund; and liabilities payable from internal service funds are indicated by fund in the table on the following page summarizing changes in long-term debt.

*Revenue Bonds*

Revenue bonds outstanding consist of debt issued by the various public trusts. The debt of these trusts does not constitute debt of the city and is payable solely from resources of the trusts. See note I. B. 1. In general, respective facilities and revenues derived from them are pledged for the payment of revenue bond debt service. Debt is issued for the purposes of the fund or component unit responsible for payment as shown in the table on the following pages.

Bond indentures contain significant requirements for annual debt service and flow of funds through various restricted accounts. Specifically, the bond indentures for the DCAT bonds require project, bond (sinking), and various construction accounts. The general bond indenture and its supplements for DCWUT water and wastewater system bonds require the use of revenue, bond, operations and maintenance, reserve, construction, and renewal and replacement accounts. The MCA bond indenture requires the use of bond proceeds, project, revenue, and bond accounts. The DCEAT bond indenture requires the use of construction, revenue, and bond accounts. The DCPPA Golf Courses bond indenture requires the use of gross revenue, sinking, bond reserve, contingency, and future expansion accounts. The DCPPA Services municipal office buildings bond indenture requires the use of revenue, debt service reserve, bond, and construction accounts. The DCPPA Fairgrounds bond indenture requires the use of project, principal, interest, and reserve accounts. The DCPPA Fairgrounds bonds are collateralized by pledged hotel-motel taxes transferred from the city under a security agreement and subject to annual appropriations. The COTPA Parking bond indenture requires the use of revenue, bond, operating and maintenance, major maintenance and replacement, reserve,

construction, and special use accounts. The DCZT bonds are collateralized by the sales tax agreement with the city for sales tax designated for the zoo and the indenture requires maintenance of bond reserve, principal (sinking), and construction accounts. The reporting entity is in compliance with all significant requirements of the various bond covenants.

#### *COTPA Forward Delivery Refunding Bonds*

On August 18, 2005, COTPA sold Revenue Refunding Bonds, Series 2006 for \$24.835 million of forward delivery refunding bonds with an average interest rate (coupon) of 5.1 percent. Total proceeds include \$1.7 million in premium. Underwriting fees, insurance premiums, and other issuance costs were approximately \$384,000. The bonds were delivered on April 5, 2006 to refund the Parking System Revenue and Refunding Bonds, Series 1996 with an average interest rate of 5.3 percent. Certain series of the 1996 bonds, ineligible for advance refunding, are not eligible for call until July 1, 2006, when they will be refunded by the proceeds of the 2006 refunding bonds. Net proceeds of \$27.402 million and \$1.495 million in excess bond reserves from existing bonds were used to purchase U.S. government securities deposited in an irrevocable trust with an escrow agent. Remaining proceeds of \$272,000 were deposited in the Project Fund. Subsequent debt service on the refunded bonds (July 1, 2006) will be paid from the irrevocable trust. COTPA is refunding the 1996 bonds with this forward transaction to capture benefits from recent declines in interest rates. COTPA realized approximate economic gain of \$1.3 million and debt service cash flow benefit between the new and old bonds of \$3.9 million.

#### *Conduit Debt*

The DCAT issued four special limited obligations to construct the Federal Aviation Administration (FAA) Registry building and the Federal Bureau of Prisons Transfer Center. These facilities are located on city-owned property leased to DCAT and reported as DCAT Fund assets. The bonds and interest are limited obligations of DCAT payable only from lease rental income from the U.S. government. The bonds do not constitute a pledge of the faith and credit of DCAT or the city. They are limited and special revenue obligations of DCAT and are reported as liabilities in the accompanying financial statements. For these four issues, the aggregate principal amount payable at June 30, 2006, is \$61.805 million.

#### *Changes in Long-Term Liabilities (1)*

The following is a summary of changes in long-term liabilities for the year ended June 30, 2006 (in thousands):

<i>Description and purpose</i>	<i>Balance July 1, 2005</i>	<i>Issued</i>	<i>Retired</i>	<i>Balance June 30, 2006</i>	<i>Due Within One Year</i>
<b>Primary Government</b>					
<i>Governmental Activities</i>					
Compensated absences	\$ 51,395	\$ 24,340	\$ 17,366	\$ 58,369	\$17,366
Lease obligations payable	411	—	163	248	155
General obligation bonds	367,210	80,000	28,345	418,865	30,310
Intergovernmental payable (estimated rebatable arbitrage)	—	5	—	5	—
Notes payable	236	15,142	—	15,378	529
Total	<u>\$ 419,252</u>	<u>\$119,487</u>	<u>\$ 45,874</u>	<u>\$ 492,865</u>	<u>\$48,360</u>
<b>Internal Service Funds:</b>					
Revenue bonds:					
DCPPA Services Fund	3,705	—	855	2,850	900
Compensated absences:					
Fleet Services Fund	446	124	145	425	145
Risk Management Fund	62	25	20	67	20

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<i>Description and purpose</i>	<i>Balance July 1, 2005</i>	<i>Issued</i>	<i>Retired</i>	<i>Balance June 30, 2006</i>	<i>Due Within One Year</i>
Information Technology Fund	1,015	549	381	1,183	381
Print Shop Fund	61	9	11	59	11
Total compensated absences	1,584	707	557	1,734	557
Estimated claims payable:					
Risk Management Fund	3,033	1,895	1,233	3,695	1,895
DCMFA Services Fund	27,602	57,759	47,811	37,550	11,047
Total estimated claims payable	30,635	59,654	49,044	41,245	12,942
Lease obligations payable:					
Fleet Services Fund	4	22	6	20	8
Information Technology Fund	2	32	3	31	10
Print Shop Fund	131	—	35	96	39
Total lease obligations payable	137	54	44	147	57
Total Internal Service Funds	36,061	60,415	50,500	45,976	14,456
Total Governmental Activities	\$ 455,313	\$179,902	\$ 96,374	\$ 538,841	\$62,816
<i>Business-Type Activities</i>					
Revenue bonds:					
Major Enterprise Funds					
DCAT Fund	\$ 225,070	\$ —	\$ 19,200	\$ 205,870	\$16,820
DCWUT Fund	160,161	—	5,913	154,248	5,695
MCA Fund	72,005	—	2,330	69,675	2,470
Other Enterprise Funds					
DCEAT Fund	—	8,410	—	8,410	750
DCPPA Golf Courses Fund	11,750	—	360	11,390	375
DCPPA Fairgrounds Fund	52,820	—	—	52,820	—
Total revenue bonds	521,806	8,410	27,803	502,413	26,110
Revenue bond long-term interest payable:					
Major Enterprise Fund—DCWUT Fund	55,552	5,750	7,885	53,417	—
Advances from other funds:					
Major Enterprise Fund—DCWUT Fund	64,188	—	2,400	61,788	2,543
Other Enterprise Fund—DCPPA Golf Courses Fund	790	481	49	1,222	535
Total advances from other funds	64,978	481	2,449	63,010	3,078
Compensated absences:					
Major Enterprise Funds					
DCAT Fund	11	—	11	—	—
Water Utilities Fund	4,724	2,090	1,685	5,129	1,685
MCA Fund	32	9	5	36	5
Other Enterprise Funds					
Airports Fund	1,018	406	364	1,060	364
Solid Waste Management Fund	917	400	306	1,011	306
Stormwater Drainage Fund	642	54	197	499	197
DCPPA Golf Courses Fund	165	74	60	179	60
Transportation Fund	182	105	65	222	65
Parking Fund	65	8	14	59	14
Total compensated absences	7,756	3,146	2,707	8,195	2,696

(continued)

<i>Description and purpose</i>	<i>Balance July 1, 2005</i>	<i>Issued</i>	<i>Retired</i>	<i>Balance June 30, 2006</i>	<i>Due Within One Year</i>
Intergovernmental payable (estimated rebatable arbitrage):					
Major Enterprise Fund—MCA Fund	132	28	—	160	—
Other Enterprise Fund—DCEAT Fund	—	29	—	29	—
Lease obligations payable:					
Major Enterprise Fund—DCWUT Fund	540	—	15	525	16
Other Enterprise Fund—DCEAT Fund	1,116	—	1,116	—	—
Total Business-Type Activities	651,880	17,844	41,975	627,749	31,900
Total Primary Government Long-Term Debt	<u>\$1,107,193</u>	<u>\$197,746</u>	<u>\$138,349</u>	<u>\$1,166,590</u>	<u>\$94,716</u>
<b>Component Units</b>					
Revenue bonds:					
DCZT	\$7,130	\$ —	\$ 340	\$ 6,790	\$ 360
COTPA	57,515	24,835	28,815	53,535	2,725
Total revenue bonds	64,645	24,835	29,155	60,325	3,085
Note payable:					
DCRA	4,011	3,288	224	7,075	255
Loan from primary government:					
COTPA	1,940	220	121	2,039	341
Compensated absences:					
DCZT	128	2	—	130	130
COTPA	264	453	432	285	149
Total compensated absences	392	455	432	415	279
Intergovernmental payable (estimated rebatable arbitrage):					
COTPA	96	14	—	110	110
Total Component Units Long-Term Debt	<u>\$ 71,084</u>	<u>\$ 28,812</u>	<u>\$ 29,932</u>	<u>\$ 69,964</u>	<u>\$ 4,070</u>

(1) To reconcile amounts in this schedule to the government-wide Statement of Net Assets, note the following: balances shown for bonds do not include unamortized premiums/discounts or deferred amounts on refundings, and advances are eliminated in the Statement of Net Assets. The amount due within one year does not include short-term debt disclosed in note III. B.1. Fiduciary fund liabilities are not included. DCERS fiscal year 2006 compensated absences of \$33 changed by \$16 in accruals and \$10 in usages from the fiscal year 2005 balance of \$27.

*General Obligation Bonds Authorized But Unissued*

<i>Description and Purpose</i>	<i>Unissued Amount</i>	<i>Description and Purpose</i>	<i>Unissued Amount</i>
Streets	\$61,453	Parks and recreational facilities	\$ 13,668
Bridges	7,293	Libraries	12,101
Drainage control	12,390	Total	<u>\$106,905</u>

**FSP \$13,400.58**

Additional Debt Disclosure (dollars are in thousands)

Outstanding Bonds, Maturity Dates, and Interest Rates

<i>Description and Purpose</i>	<i>Amount of Original Issue</i>	<i>Range of Final Maturity Dates</i>	<i>Range of Interest Rates</i>
<b>Primary Government</b>			
<i>Governmental Activities</i>			
General obligation bonds	\$695,385	2007–2026	3.85–5.63%
<u>Internal Service Funds</u>			
Revenue bonds: DCPPA Services Fund	10,900	2009	3.0–5.3
<i>Business-Type Activities:</i>			
Revenue bonds:			
<u>Major Enterprise Funds</u>			
DCAT Fund	312,890	2005–2022	1.6–9.8
DCWUT Fund	185,325	2005–2034	3.85–7.85
MCA Fund	91,860	2023	3.0–6.0
<u>Other Enterprise Funds</u>			
DCEAT Fund	8,410	2026	3.0–4.25
DCPPA Golf Courses Fund	13,495	2024	3.25–5.25
DCPPA Fairgrounds Fund	52,820	2024	4.0–5.5
<b>Component Units</b>			
Revenue bonds:			
DCZT	14,160	2019	3.13–5.0
COTPA	94,985	2007–2029	2.0–5.75

Debt Service Requirements to Maturity (1)

The annual debt service requirements to maturity for bonded debt as of June 30 are as follows (in thousands):

Year Ending June 30	Primary Government		Governmental Activities				Business-Type Activities			
			Internal Service Fund		Major Enterprise Funds		Major Enterprise Funds		Revenue Bonds	
			DCPPA Services	DCAT	DCWUIT	MCA				
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 30,310	\$ 19,217	\$ 900	\$ 126	\$ 16,820	\$ 13,375	\$ 5,695	\$ 14,446	\$ 2,470	\$ 4,181
2008	33,100	17,826	950	78	18,045	12,234	5,521	14,487	2,615	4,032
2009	32,930	16,337	1,000	26	17,960	11,032	5,841	14,484	2,775	3,875
2010	30,120	14,848	—	—	16,925	9,833	5,867	14,472	2,940	3,709
2011	29,230	13,406	—	—	16,775	8,643	5,923	14,419	3,120	3,533
2012-2016	133,285	47,087	—	—	75,525	24,454	39,685	69,691	18,630	14,621
2017-2021	89,805	19,788	—	—	35,735	6,809	27,140	26,631	24,930	8,320
2022-2026	40,085	4,530	—	—	8,085	212	22,760	11,711	12,195	1,108
2027-2031	—	—	—	—	—	—	18,975	6,619	—	—
2032-2036	—	—	—	—	—	—	16,841	1,735	—	—
Totals	<u>\$418,865</u>	<u>\$153,039</u>	<u>\$2,850</u>	<u>\$230</u>	<u>\$205,870</u>	<u>\$86,592</u>	<u>\$154,248</u>	<u>\$188,695</u>	<u>\$69,675</u>	<u>\$43,379</u>

Year Ending 6/30/2007	Primary Government											
	Business-Type Activities						Component Units					
	Major Enterprise Funds			Other Enterprise Funds			Revenue Bonds			COTPA		
	DCEAT			DCPPA Golf Courses			DCPPA Fairgrounds			DCZT		
	Principal	Interest		Principal	Interest		Principal	Interest		Principal	Interest	
2007	\$ 750	\$ 284	\$ 375	\$ 567	\$ 2,745	\$ —	\$ 360	\$ 279	\$ 2,725	\$ 2,135		
2008	940	259	395	550	2,736	465	375	262	2,260	2,350		
2009	970	229	410	532	2,714	630	395	243	2,390	2,249		
2010	1,005	197	430	512	2,686	800	450	224	3,220	2,127		
2011	1,035	161	450	492	2,650	980	495	208	3,365	1,979		
2012-2016	1,815	556	2,585	2,108	12,234	8,055	2,755	747	18,860	7,344		
2017-2021	855	305	3,330	1,350	9,721	11,500	1,960	156	8,185	3,790		
2022-2026	1,040	113	3,415	324	6,146	15,070	—	—	7,265	2,148		
2027-2031	—	—	—	—	1,661	15,320	—	—	5,265	383		
2032-2036	—	—	—	—	—	—	—	—	—	—		
Totals	\$8,410	\$2,104	\$11,390	\$6,435	\$43,293	\$52,820	\$6,790	\$2,119	\$53,535	\$24,505		

(1) See note III. B. 1. for debt service relating to leases and notes payable.

*Prior Year Defeasance of Debt*

In prior years, certain outstanding bonds were defeased by placing proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts and the defeased bonds are not included in the financial statements. At fiscal year-end, the following bonds are considered defeased (in thousands):

<u>Issuing Entity</u>	<u>Purpose</u>	<u>Bond Series</u>	<u>Defeased Balance</u>
<b>Primary Government</b>			
<i>Governmental Activities</i>			
General Obligation Bonds	Combined purpose	1997	\$25,000
General Obligation Bonds	Combined purpose	1998	25,300
General Obligation Bonds	Combined purpose	1999	22,100
General Obligation Bonds	Combined purpose	2000	21,585
General Obligation Bonds	Combined purpose	2001	20,505
<i>Business-Type Activities</i>			
Major Enterprise Fund			
DCWUT Fund	Water utilities system	Series F	3,685
DCWUT Fund	Water utilities system	Series 1992A	22,325
DCWUT Fund	Water utilities system	Series 1992B	13,675
<b>Component Unit</b>			
DCZT	Zoo facilities	Series 1999	6,395
COTPA	Parking system	Series 1996	26,945

*Arbitrage Compliance*

Proceeds from tax-exempt bonds issued after September 1, 1986 are subject to the 1986 Tax Reform Act. The city invests, records, and reports these proceeds in the manner set forth by the U.S. Treasury and Internal Revenue Service to maintain the tax-exempt status of the bonds. Arbitrage liabilities are reported as *Intergovernmental payables*.

**III. B. 3. Risk Management—Claims and Judgements****.59 Description**

The city's risk management activities are reported with governmental activities and recorded in the Risk Management and the DCMFA Services internal service funds. The purpose of these funds is to administer employee life, employee health, property and liability, workers' compensation, unemployment, and disability insurance programs of the city on a cost-reimbursement basis. These funds account for the risk financing activities of the city but do not constitute a transfer of risk from the city.

Significant losses are covered by commercial insurance for all major programs except one employee health care alternative and workers' compensation, for which the city retains risk of loss. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

*Unpaid Claims Liabilities*

The following represent the changes in approximate aggregate liabilities for the city from July 1, 2004, to June 30, 2006 (in thousands):

	<u>Health Care</u>	<u>Workers' Compensation</u>	<u>Tort</u>
Liability balance, July 1, 2004	\$ 3,046	\$14,272	\$3,777
Claims and changes in estimates	29,324	17,962	1,333
Claims payments	<u>(30,235)</u>	<u>(6,767)</u>	<u>(2,077)</u>

**FSP \$13,400.59**



	<u>Health Care</u>	<u>Workers' Compensation</u>	<u>Tort</u>
Liability balance, June 30, 2005	2,135	25,467	3,033
Claims and changes in estimates	32,330	25,429	1,895
Claims payments	<u>(32,171)</u>	<u>(15,640)</u>	<u>(1,233)</u>
Liability balance, June 30, 2006	<u>\$ 2,294</u>	<u>\$35,256</u>	<u>\$3,695</u>
Assets available to pay claims at June 30, 2006	<u>\$ 6,300</u>	<u>\$11,154</u>	<u>\$3,695</u>

Reported judgments (tort liability) are principally funded through property taxes over a three-year period. Taxes collected are recorded in the Debt Service Fund and transferred to the Risk Management Fund. For additional information on litigation, see note X. A.

*Claims Liabilities*

The city records an estimated liability for indemnity health care, workers' compensation, torts, and other claims against the city. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not reported based on historical experience. Claims liabilities include specific, incremental claim adjustment expenses, allocated loss adjustment expenses, and are reduced for estimated recoveries on unsettled claims such as salvage or subrogation. Workers' compensation unpaid claims liabilities are discounted at 3 percent. The undiscounted liability at June 30, 2006 is \$38.578 million.

**III. C. Balances and Transfers/Payments Within the Reporting Entity**

*III. C. 1. Receivables and Payables*

.60 Generally, outstanding balances between funds reported as "due to/from other funds" include outstanding charges by one fund to another for services or goods, subsidy commitments outstanding at year-end, or other miscellaneous receivables or payables, or both, between funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are described as "due to/from other funds" (that is, the current portion of interfund loans) or "advances to/from other funds" (that is, the noncurrent portion of interfund loans). See note III. B. 1. for information relating to loans from the DCMFA Services Fund to the DCPA Golf Courses Fund.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Similar activities in which a component unit is a party are captioned as "receivables/payables" for both the current and noncurrent portions between a component unit and the primary government. Balances to which a fiduciary fund is a party are treated as "external" receivables and payables substantially reported as wages and benefits payable (retirement benefits).

The following schedule reports receivables and payables within the reporting entity at fiscal year-end (in thousands):

	<u>Due From</u>		<u>Due To</u>		<u>Business-Type Activities</u>						
	<u>Primary Government</u>										
	<u>Governmental Activities</u>				<u>Enterprise Funds</u>						
	<u>Major Governmental Funds</u>				<u>Major Enterprise Funds</u>						
	<u>General</u>	<u>Debt Service</u>	<u>Grants Management</u>	<u>General Obligation Bonds</u>	<u>Other Governmental Funds</u>	<u>Internal Service Funds</u>	<u>DCWUT</u>	<u>Water Utilities</u>	<u>Other Enterprise Funds</u>	<u>Total Due From</u>	
<i>Governmental Activities:</i>											
General	\$ —	\$ —	\$ 530	\$2,727	\$1,338	\$ —	\$ 254	\$ —	\$ 93	\$ 4,942	
Grants Management	—	—	—	99	—	—	—	—	—	99	
Other Governmental Funds	2,572	—	927	—	88	43	194	—	100	3,924	
Internal Service Funds	501	3,788	15	—	194	131	—	7	603	5,239	
<i>Business-type Activities:</i>											
DCWUT	—	—	—	—	—	2	—	16	18	36	
McGee Creek	—	—	—	—	—	—	2,542	—	—	2,542	
Other Enterprise Funds	—	—	79	24	740	—	—	—	—	843	
<b>Total Due To</b>	<b>\$3,073</b>	<b>\$3,788</b>	<b>\$1,551</b>	<b>\$2,850</b>	<b>\$2,360</b>	<b>\$176</b>	<b>\$2,990</b>	<b>\$23</b>	<b>\$814</b>	<b>\$17,625</b>	

	Payable To		Receivable From			Receivable From			Payable To		
	Primary Government		Component Units			Primary Government			Component Units		
	COTPA	DCMAPS	DCZT	DCMAPS	DCZT	COTPA	DCMAPS	DCRA	COTPA	DCMAPS	DCRA
Grants Management	\$ 1	\$ —	\$ —	\$ —	\$ —	\$ 4	\$162	\$ —	\$ 4	\$162	\$ —
City and Schools Sales Tax	—	11,779	—	—	—	—	8	—	—	8	—
Other Governmental Funds	—	—	4,848	—	—	213	—	10,930	213	—	10,930
Internal Service Funds	3	—	—	—	—	—	—	—	—	—	—
Totals	\$ 4	\$11,779	\$4,848	\$11,779	\$4,848	1,822	—	—	1,822	—	—
Advance To (1)	<u>Advance From</u>										
Primary Government											
	DCWUT		Other Enterprise Fund								
MCA	\$59,245	\$ —	\$ —								
Internal Service Fund	—	687	687								
Totals	\$59,245	\$ 687	\$ 687								

(1) These balances are not expected to be repaid within one year. Of the amount payable to DCWUT from COTPA, \$1,698 is not expected to be repaid within one year.

Receivables to fiduciary funds are:

<u>Payable From</u>		<u>Receivable To</u>		<u>Payable From</u>		<u>Receivable To</u>
<u>Primary Government</u>		<u>Fiduciary Funds</u>		<u>Primary Government</u>		<u>Fiduciary Funds</u>
	<u>DCERS</u>	<u>COTPA Retirement</u>		<u>Primary Government</u>	<u>DCERS</u>	<u>COTPA Retirement</u>
<i>Governmental Activities:</i>				<i>Business-Type Activities:</i>		
General	\$264	\$—		Water Utilities	\$ 80	\$—
Grants Management	12	—		Other Enterprise Funds	158	—
City and Schools Sales Tax	3	—		<b><u>Component Units</u></b>		
Other Governmental Funds	27	—		COTPA	—	36
Internal Service Funds	37	—		Total Receivable To	<u>\$581</u>	<u>\$36</u>

### III. C. 2. Transfers and Payments

.61 Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund or component unit to support and simplify the administration of various projects or programs.

Substantial operating subsidies are provided to certain component units as follows: (1) the city levies a designated sales tax for the support and improvement of the Durham City Zoo. The city receives the Zoo sales tax and pays it to the DCZT where it is used to improve and maintain the Zoo; (2) the city levies a designated sales tax for public school improvements. The city receives the public schools sales tax and pays it to DCMAPS to fund public school improvements; (3) the General Fund provides a significant operating subsidy to COTPA to support public transportation in metropolitan Durham City. COTPA provides subsidies to city parking and transportation funds for the administration and operation of certain parking and transportation activities. Such payments are reported as expenditures/expenses and revenues as appropriate. These payments are detailed in the schedule below. COTPA also pays city funds for services, such as risk management (insurance premiums), not shown in the table. See detail for these payments in the schedule below.

The government-wide statement of activities eliminates transfers reported within the segregated governmental and business-type activities columns. Only transfers *between* the two columns appear in this statement.

The following schedule reports transfers and payments within the reporting entity (in thousands):

Transfers From	Transfers To									
	Governmental Activities					Business-Type Activities				
Primary Government	Major Governmental Funds		Major Enterprise Funds			DCWUT	MCA	Other Enterprise Funds	Total Transfers From	
	General	Debt Service	Grants Management	Governmental Funds	Other					Internal Service Funds
<i>Governmental Activities:</i>										
General	\$ —	\$ —	\$ —	\$30,307	\$16,670	\$ —	\$ —	\$ 638	\$ 47,615	
Debt Service	—	—	—	—	2,120	—	—	—	2,120	
Grants Management	331	—	—	25	—	—	—	—	356	
General Obligation Bonds	6,534	1	39	402	—	—	—	—	6,976	
Other Governmental Funds	160	—	15	15,131	—	685	—	3,235	19,226	
Internal Service Funds	—	—	—	835	10,422	—	—	—	11,257	
<i>Business-Type Activities:</i>										
DCAT	—	—	—	504	—	—	—	12,275	12,779	
DCWUT	2,232	—	4	1,231	—	—	4,053	—	7,520	
Water Utilities	—	—	—	30	—	2,098	—	—	2,128	
Other Enterprise Funds	561	—	—	1,148	—	—	—	7,280	8,989	
Total Transfers To	\$9,818	\$ 1	\$ 58	\$49,613	\$29,212	\$2,783	\$4,053	\$23,428	\$118,966	



### III. D. Revenues and Expenditures—Benefits Funded by the State of Oklahoma

.62 For fiscal year 2006, the State of Oklahoma contributed estimated payments on behalf of city employees to the Oklahoma Police Pension and Retirement System for \$7 million and the Oklahoma Firefighter's Pension and Retirement System for \$19 million. State contributions are funded by allocations of the state's insurance premium tax. The city is not legally responsible for these contributions.

### IV. Segment Information

.63 The city issues revenue bonds to support a variety of public services. The fund financial statements report major funds with revenue-supported debt for the DCAT, DCWUT, and MCA Funds. Services provided by these funds are described in note I. B. 1. DCZT and DCRA financial information for revenue bonds within the combining component units financial statements is also included in the basic financial statements. These services are described in note I. B. 1.

Other funds of the primary government with revenues pledged for bonded debt are the DCPA Services Fund which provides central financing services for building construction and renovation, and purchasing furniture and equipment; the DCEAT which provides solid waste management services; the DCPA Golf Courses Fund which provides for the operations of five municipal golf courses; and the DCPA Fairgrounds Fund which reports fairgrounds development activity. COTPA Parking is a fund of one of the city's component units with pledged revenues for bonded debt. COTPA Parking provides public parking primarily in downtown Durham City. Summarized financial information for these funds as of and for the year ended June 30, 2006, is presented as follows (in thousands):

	Governmental Activities		Business-Type Activities		Component Unit	
	DCPPA Services	DCEAT	DCPPA Courses	DCPPA Fairgrounds		DCPPA
<b>Condensed Statement of Net Assets</b>						
Assets:						
Current assets	\$ 2,588	\$19,613	\$3,236	\$ 1,302	\$ 9,051	
Capital assets	7,933	4,942	11,085	15,727	49,460	
Other noncurrent assets	<u>1,044</u>	<u>212</u>	<u>2,642</u>	<u>45,940</u>	<u>7,600</u>	
Total assets	<u>11,565</u>	<u>24,767</u>	<u>16,963</u>	<u>62,969</u>	<u>66,111</u>	
Liabilities:						
Current liabilities	2,623	8,303	1,745	2,898	7,344	
Noncurrent liabilities	<u>1,950</u>	<u>7,692</u>	<u>11,760</u>	<u>55,798</u>	<u>53,434</u>	
Total liabilities	<u>4,573</u>	<u>15,995</u>	<u>13,505</u>	<u>58,696</u>	<u>60,778</u>	
Net assets:						
Invested in capital assets, net of related debt	4,038	3,229	1,478	2,223	10,081	
Restricted	1,044	6,698	955	41,495	9	
Unrestricted	<u>1,910</u>	<u>(1,155)</u>	<u>1,025</u>	<u>(39,445)</u>	<u>(4,757)</u>	
Total net assets	<u>\$ 6,992</u>	<u>\$ 8,772</u>	<u>\$3,458</u>	<u>\$ 4,273</u>	<u>\$ 5,333</u>	
<b>Condensed Statement of Revenues, Expenses, and Changes in Net Assets</b>						
Operating revenues	\$1,026	\$30,823	\$ 7,569	\$10	\$ 7,832	
Depreciation expense	(262)	(921)	(1,067)	(31)	(1,167)	
Other operating expenses	<u>(2)</u>	<u>(20,020)</u>	<u>(6,821)</u>	<u>(131)</u>	<u>(3,092)</u>	
Operating income (loss)	762	9,882	(319)	(152)	3,573	
Nonoperating revenues (expenses):						
Interest expense	(160)	(244)	(683)	(2,270)	(2,389)	
Other	156	702	142	1,687	636	
Contributions	—	—	—	400	—	
Transfers	—	<u>(7,989)</u>	<u>638</u>	<u>3,235</u>	—	
Changes in net assets	758	2,351	(222)	2,900	1,820	
Beginning net assets	<u>6,234</u>	<u>6,421</u>	<u>3,680</u>	<u>1,373</u>	<u>3,513</u>	
Ending net assets	<u>\$6,992</u>	<u>\$ 8,772</u>	<u>\$ 3,458</u>	<u>\$4,273</u>	<u>\$ 5,333</u>	
<b>Condensed Statement of Cash Flows</b>						
Net cash provided (used) by:						
Operating activities	(\$3)	\$ 11,681	\$690	(\$121)		
noncapital financing activities	—	(8,315)	684	2,386		
Capital and related financing activities	(1,026)	(4,238)	(1,133)	(14,941)		
Investing activities	<u>153</u>	<u>(1,945)</u>	<u>113</u>	<u>12,641</u>		
Net increase (decrease)	(876)	5,659	354	(35)		
Beginning cash and cash equivalents	<u>3,438</u>	<u>249</u>	<u>1,936</u>	<u>35</u>		
Ending cash and cash equivalents	<u>\$2,562</u>	<u>\$ 5,908</u>	<u>\$ 2,290</u>	<u>\$ —</u>		



## V. Jointly Governed Organization and Joint Venture

### V. A. Jointly Governed Organization

.64 The city and the Board of County Commissioners of Oklahoma County participate in the city-County Board of Health (board) to preserve and promote public health. Five members of the board are appointed by the city council, and four members are appointed by the Oklahoma County Commissioners with removal only for cause. The primary source of funding for the board is an ad valorem tax levy by the county. During the fiscal year ending June 30, 2006, the city contributed approximately \$63,000 to the operations of the board. The city has no equity interest nor does the city materially contribute to the continued existence of the board. The city's interests are other than financial.

### V. B. Joint Venture

.65 The Emergency Medical Services Authority (EMSA) provides emergency medical services to participating jurisdictions. The EMSA Board of trustees comprises four trustees appointed by the Eastern Division (Tulsa area) and four trustees appointed by the Western Division (Durham City area). EMSA has established capital accounts for each beneficiary jurisdiction. These capital accounts record the economic activity of the jurisdiction and represent an equity interest. The city reports this equity interest in governmental activities in the government-wide financial statements.

EMSA issues separate financial statements available from the city's Accounting Services Division. See note I. B. 1. for the address. Summarized information for EMSA's fiscal years ending June 30, 2006 and 2005 is as follows (in thousands):

	<i>Durham City Area</i>	<i>Tulsa Area</i>		<i>June 30, 2006</i>	<i>June 30, 2005</i>
Capital interests:			Assets	\$16,053	\$16,423
July 1, 2005, capital	\$1,459	\$7,841	Liabilities	(7,836)	(7,123)
Changes in net assets	743	(1,826)	Net assets	\$ 8,217	\$ 9,300
June 30, 2006, capital	\$2,202	\$6,015	Joint venture liabilities:		
			Short-term	\$ 7,466	\$ 7,114
			Long-term	370	9

Debt as of June 30, 2006 is collateralized by assets and revenues of EMSA. Also see note X. C.

## VI. Retirement Plans

### VI. A. Single-Employer Plans

#### VI. A. 1. Plan Descriptions, Contribution Information, and Funding Policies

.66 The city reporting entity participates in two single-employer, defined benefit, public employee retirement systems. Assets are held separately and may be used only for the payment of benefits to the members of the respective plans, as follows:

- \* **Primary Government:** Durham City Employee Retirement System (DCERS) provides retirement benefits for substantially all full-time, nonuniformed employees of the reporting entity except for certain COTPA employees. Unless otherwise indicated, DCERS information in this note is provided as of the latest actuarial valuation, December 31, 2005.
- \* **Component Unit:** COTPA Employee Retirement Trust (COTPA Retirement) provides retirement benefits for certain COTPA employees, primarily bus drivers and related operations employees. Unless otherwise indicated, COTPA Retirement information in this note is provided as of the latest actuarial valuation, July 1, 2006.

Actuarial valuations are performed annually. For additional information relating to investment policy, basis of accounting, and reported investment values, see notes I. B. 4. and III. A. 1.

The following is a summary of funding policies, contribution methods, and benefit provisions:

	<u>DCERS</u>	<u>COTPA Retirement</u>
Year established and governing authority	1958; city council ordinance	1970; COTPA trustees' resolution
Determination of contribution requirements	Actuarially determined	Contracted pursuant to union negotiations
Employer (1)	9.49% of covered payroll	\$39.69 per week
Plan members	6% of covered payroll	\$39.69 per week
Funding of administrative costs	Investment earnings	Investment earnings
Period required to vest	5 years	10 years
Postretirement benefit increases	Cost of living adjustments compounded annually; Increases must be approved by the board	Increases must be approved by the COTPA Board of trustees
Eligibility for distribution	30 years credited service regardless of age, or Age 60 with 10 years (pre 3/67 hires), or 25 years of credited service regardless of age, or Age 65 with 5 years (post 3/67 hires), or Age 55 with 5 years on a reduced basis, or 5 years service, with benefits to begin at age 65 (60 with 10 years if pre 3/67 hire)	25 years credited service regardless of age, or age 65 with 10 years, or age 62 with 10 years on a reduced basis

(1) Beginning January 1, 2006, the employer contribution rate changed from 7.0 percent to 9.49 percent.

Memberships of the plans are as follows:

	<u>COTPA</u>		
	<u>DCERS</u>	<u>Retirement</u>	<u>Totals</u>
Nonvested active members	607	96	703
Fully-vested active members	1,705	60	1,765
Retirees and beneficiaries currently receiving benefits	1,076	49	1,125
Terminated plan members entitled to but not yet receiving benefits	58	3	61
Total	<u>3,446</u>	<u>208</u>	<u>3,654</u>

#### *Annual Required Contributions*

Actuarial assumptions and other information used to determine the annual required contributions (ARC) for both plans are as follows:

**FSP \$13,400.66**

	DCERS	COTPA Retirement
Provisions for:	Yes	Yes
Disability benefits	Yes	Yes
Death benefits		
Valuation Date	12/31/05	7/1/06
Actuarial cost method	Individual entry age	Individual entry age normal
Amortization method	Level percentage of payroll	Level dollar
Amortization period	30 years	30 years, open
Actuarial asset valuation method	4 year smoothed market	Fair market value
Actuarial assumptions:	8%	7%
Investment rate of return		
Projected salary increases	4.5%–8.3%	None
Postretirement benefit increases (maximum)	4%	None
Inflation	4.5%	None
Other	1994 group annuity table set forward 1 year for women and 3 years for men	1983 group annuity mortality tables, Scale 355 withdrawal rates

**VI. A. 2. Annual Pension Cost, Net Pension Obligation, Trend Information, and Reserves**

.67 Current Year Annual Pension Cost, Net Pension Obligation, and Trend Information (dollars are in thousands)

Fiscal Year	DCERS			COTPA Retirement		
	Annual Pension Cost	Percentage Contributed	Net Pension Obligation (NPO)	Annual Pension Cost	Percentage Contributed	Net Pension Obligation (NPO)
2006	\$7,838	100%	\$ —	\$298	111%	\$11
2005	6,484	100	—	324	109	44
2004	5,995	100	—	309	117	74

The DCERS issues a separate, stand-alone report which can be obtained from the city’s Accounting Services Division. See note I.B. 1. for the address. Annual reporting for COTPA Retirement is presented only in the city’s CAFR. COTPA reports net pension obligations due to COTPA Retirement with *wages and benefits payable*. Changes to this liability are shown on the following page.

*Net Pension Obligation*

	COTPA Retirement		
	2006	2005	2004
Annual required contribution	\$ 298	\$ 325	\$ 309
Interest on net pension obligation	3	5	9
Adjustment to annual required contribution	(3)	(6)	(9)
Annual pension cost	298	324	309
Contributions made	(331)	(354)	(361)
Increase (decrease) in net pension obligation	(33)	(30)	(52)
Net pension obligation, beginning of year	44	74	126
Net pension obligation, end of year	<u>\$ 11</u>	<u>\$ 44</u>	<u>\$ 74</u>

**FSP \$13,400.67**

*Changes in Actuarial Assumptions*

The DCERS contracted with actuaries for a Review of System Experience (report). The report was dated February 27, 2006. Actuarial assumptions were changed for the December 31, 2005 actuarial valuation for the DCERS based on the report. Actuarial assumptions changed include: (a) rates of retirement were reduced; (b) the 1994 group annuity mortality table, replaced the 1971 group annuity mortality table which increased life expectancy; (c) wage inflation changed from 5.0 percent to 4.5 percent annually; (d) price inflation changed from 4.5 percent to 4.0 percent annually; (e) actuarial valuation of assets changed from recognizing interest and dividends immediately to spreading differences over a four year period consistent with the treatment of all other investment income (that is, realized or unrealized appreciation and depreciation); (f) the amortization period changed from 40 years to 30 years. If applied to the 2006 fiscal year, the ARC would have been reduced by the adopted assumptions from 9.49 percent to 7.07 percent of covered payroll.

*Reserves*

There are no assets legally reserved for purposes other than the payment of plan member benefits for either plan. The plans held no individual investments (other than U.S. government and U.S. government guaranteed obligations) whose market value exceeds five percent or more of net assets available for benefits. There are no long-term contracts for contributions.

**VI. B. Cost-Sharing, Multiple-Employer Plans****VI. B. 1. Plan Descriptions, Contribution Information, and Funding Policies***.68 Oklahoma Police and Firefighter's Pension and Retirement Systems*

Durham City participates in two statewide, cost-sharing, multiple-employer defined benefit plans on behalf of police officers and firefighters. The systems are administered by agencies of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. See note III. D. The following is a summary of eligibility factors, contribution methods, and benefit provisions.

	<i>Oklahoma Police Pension and Retirement System</i>	<i>Oklahoma Firefighter's Pension and Retirement System</i>
Eligibility to participate	All full-time officers employed by a participating municipality; not less than 21 years of age or more than 45 years of age when hired	All full-time or voluntary firefighters of a participating municipality hired before age 45
Authority establishing contribution obligations and benefit provisions	State statute	State statute
Plan members' contribution rate city's contribution rate	8% of covered payroll 13% of covered payroll	8% of covered payroll 13% of covered payroll
Period required to vest	10 years	10 years
Benefits and eligibility for distribution (full-time)	20 years credited service, 2 1/2% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits	20 years credited service, 2 1/2% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits

	<i>Oklahoma Police Pension and Retirement System</i>	<i>Oklahoma Firefighter's Pension and Retirement System</i>
Benefits and eligibility for distribution (volunteer)	—	20 years credited service equal to \$5.46 per month per year of service, with a maximum of 30 years considered
Deferred retirement option	Yes, 20 years credited service with additional option to participate in deferred option plan for a maximum of 5 years	Yes, 20 years credited service with continued service for 30 or more years
Provisions for:		
Cost of living adjustments (normal retirement)	Yes	Yes, if vested by 5/83
Death (duty, nonduty, post retirement)	Yes	Yes
Disability (duty, nonduty)	Yes	Yes
Cost of living allowances	Yes	Yes

**VI. B. 2. Trend Information**

.69 Contributions required by state statute (dollars are in thousands):

<i>Fiscal Year</i>	<i>Oklahoma Police Pension and Retirement System</i>		<i>Oklahoma Firefighter's Pension and Retirement System</i>	
	<i>Required Contribution</i>	<i>Percentage Contributed</i>	<i>Required Contribution</i>	<i>Percentage Contributed</i>
2006	\$7,487	100%	\$7,447	100%
2005	7,424	100	7,696	100
2004	7,146	100	7,488	100

Trend information showing the progress of the systems in accumulating sufficient assets to pay benefits when due is presented in the annual financial reports of the respective plans. Copies of these reports may be obtained from the respective state retirement systems.

**VI. C. Defined Contribution Plans**

.70 The city and its component units participate in three defined contribution plans administered by the International city manager's Association Retirement Corporation (ICMA Retirement). For two of the plans, plan provisions and contribution requirements are established or amended by city council resolution. Participants of the first plan are comprised of eligible employees hired before September 1, 2001. The city and participants are required to contribute 8.35 percent and 6.0 percent of annual covered payroll, respectively. Participants of the second plan are comprised of eligible employees hired after September 1, 2001. The city and participants are required to contribute 7.0 percent and 6.0 percent of annual covered payroll, respectively. For the fiscal year ended June 30, 2006, actual contributions by the city and plan participants were \$214,000 and \$967,000, respectively. These two plans include 90 participants comprised of city council appointees and management personnel. Participants of the first plan vest at service inception and are entitled to 100 percent of vested contributions. Participants of the second plan vest after 5 years of service. The plans are money purchase plans qualified under section 401 of the Internal Revenue Code.

The third plan was established July 1, 2001, by COTPA for eligible administrative employees of COTPA (not represented by a union). Plan provisions and contribution requirements are established or amended by COTPA resolution. It is in addition to COTPA Retirement and provides that the employee may voluntarily

contribute to the COTPA ICMA plan and COTPA will match employee contributions up to \$1,000 annually. The COTPA ICMA plan includes 189 participants. For fiscal year 2006, actual contributions by plan participants were \$29,000 with a \$14,000 match from COTPA.

## VII. Other Postemployment Benefits (OPEB)

.71 In addition to pension benefits described in note VI, the city provides postemployment benefit options for health care, life insurance, dental insurance, and disability income to eligible retirees, terminated employees, and their dependents. The benefits are provided in accordance with city ordinances, collective bargaining agreements, and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The criteria to determine eligibility include: years of service, employee age, disability due to line of duty, and whether the employee has vested in the respective retirement plan. The city funds the benefits on a pay-as-you-go basis. Eligible employees are required to pay set premiums for a portion of the cost with the city subsidizing the remaining costs. During fiscal year 2006, expenses (net of participant contributions) of \$15.6 million were recognized for postemployment benefits. There are 2,053 participants currently eligible. Expenses for postretirement health care benefits are recognized as eligible employee claims are paid. The Governmental Accounting Standards Board issued two new standards relating to OPEB which the city has not implemented. Management contracted with an actuarial firm to assist in evaluating the impact of these new standards on the city and planning for implementation.

## VIII. Related Party Transactions

.72 As of June 30, 2006, the DCERS held tort judgments rendered against the city in the amount of \$1.894 million. The torts earn interest at rates of 7.25–9.25 percent. In October of each year, the city (through the property tax levy) pays the DCERS for the principal amount plus earned interest for each purchased tort.

## IX. Termination Benefits

.73 At June 30, 2006, the city's reporting entity had 15 terminated employees participating in COBRA health care in various options available from the city. COBRA participants pay 102 percent of the premium cost for continuing coverage. COBRA continuation coverage benefits are available for eligible employees for 18 months. Employees on military leave are eligible for 24 months. Dependents of employees who lose coverage due to a qualifying event are eligible for 30 months. Benefits provided are not material to the financial statements.

## X. Contingencies

### X. A. Litigation

.74 The city is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the city. In addition, the city currently has approximately \$1.8 million accrued in the Risk Management Fund for pending or threatened litigation for which unfavorable outcome is considered probable. The amount of possible tort and other claims liability at June 30, 2006 was approximately \$2.9 million, which is not accrued. See note III. B. 3. for the treatment of claims incurred but not reported and other tort liability information.

### X. B. Federal and State Grants

.75 In the normal course of operations, the city receives grant funds from various Federal and state agencies. The grant programs are subject to audit by agents of the granting authorities the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

The city facilitated Section 108 loans, administered by the U.S. Department of Housing and Urban Development (HUD), for the Gold Dome, Climate Craft, Oklahoma League for the Blind, Tower Tech, Skirvin Hotel, American Indian Cultural Center economic developments projects, and a small business revolving loan fund. These loans are secured by HUD guarantees of future Federal grant allocations for repayment through the Community Development Block Grant (CDBG) program. JPMorgan Chase financed current outstanding Section 108 loans for city projects. Outstanding loans at June 30, 2006, are \$12.66 million of which \$7.25 million had not been drawn by the developer. This loan activity is reported in the government-wide financial statements.

### **X. C. EMSA Financial Threat**

.76 Under the terms of the EMSA trust indenture entitled "Major Financial Threats," certain conditions remain in the Western Division (Durham City area) that constitute a "substantial threat" to EMSA's financial stability. The trust indenture requires EMSA to offer to its jurisdictions the options of (1) entering into a subsidy agreement with EMSA or (2) approving a reduction in the standard of response time reliability. As required by the trust indenture, EMSA management is seeking financial support from the Western Division in amounts sufficient for EMSA to adequately serve its constituency and satisfy its obligations. Such threats also exist in the Eastern Division (Tulsa area). On July 18, 2006, the city council approved operating and capital subsidies to EMSA of \$2.1 million and \$1.3 million, respectively. These subsidies will be paid during the 2006-07 fiscal year. The city provided EMSA with similar subsidies in each of the last six fiscal years. See note V. B. for more information.

### **X. D. DCRA Conditional Note Payable**

.77 At June 30, 2004, DCRA signed a note to the Presbyterian Health Foundation for \$6.3 million. The note is noninterest bearing and matures July 1, 2006. The note is conditional subject to authorization of indebtedness and availability of funds. The note was given to facilitate the financing of construction of the Presbyterian Health Foundation biopharmaceutical manufacturing facility. Because the note is conditional and the conditions have not been met as of June 30, 2006, it is not reflected as payable on the financial statements. In essence, this is an option to purchase property by the DCRA.

## **XI. Subsequent Events**

### *.78 DCWUT Commercial Paper*

On January 17, 2006, DCWUT trustees approved a resolution to develop a commercial paper program authorizing the issuance of not to exceed \$75 million principal amount of tax-exempt commercial paper notes with letter of credit security. On March 21, 2006, the city council concurred in approval of that resolution. On June 20, 2006, Lehman Brothers, Deutsche Bank Trust Company Americas, and State Street Global Markets LLC were selected as the commercial paper dealer, issuing/paying agent bank, and letter of credit provider, respectively. The commercial paper program will provide interim financing for DCWUT's ongoing capital program. The commercial paper will subsequently be replaced by a permanent bond financing. It is anticipated that commercial paper will be issued in November in the amount of \$10 million.

### *Special Assessment Bonds*

Special assessment bonds designated as Street Improvement Bonds, Series 1618 dated August 6, 2006, were issued on behalf of the Newalla Township in the amount of \$276,000 with an annual interest rate of 7 percent until maturity and 9 percent after maturity to construct streets, including paving and drainage. Bonds and related interest are secured by a lien on the assessed properties and will be repaid solely by collections of the assessments levied against the benefiting properties. The city's duties are limited to acting as an agent for the assessed property owners in collecting the assessments and forwarding the collections to the bondholders. These bonds are not obligations of the city.

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**CITY OF DURHAM CITY, OKLAHOMA**  
**DEFINED BENEFIT PENSION TRUSTS**  
*Required Supplementary Information*  
*(dollars are in thousands)*

**I. SCHEDULES OF FUNDING PROGRESS**

**Primary Government—Durham City Employee Retirement System**

<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets (a)</i>	<i>Actuarial Accrued Liability (AAL)— entry age (b)</i>	<i>Unfunded AAL (UAAL) (b-a)</i>	<i>Funded Ratio (a/b)</i>	<i>Covered Payroll (c)</i>	<i>UAAL as a Percentage of Covered Payroll (b-a)/c</i>
12/31/05	\$424,182	\$436,904	\$12,722	97%	\$91,641	14%
12/31/04	381,495	415,164	33,669	92	88,866	38
12/31/03	374,192	391,023	16,831	96	85,666	20
12/31/02	375,382	372,560	(2,822)	101	86,428	(3)
12/31/01	372,737	344,597	(28,140)	108	83,862	(34)
12/31/00	350,398	323,300	(27,098)	108	80,503	(34)
<b>Component Unit—COTPA Employee Retirement Trust</b>						
7/1/06	\$ 5,464	\$ 9,077	\$ 3,613	60%	\$ 5,400	67%
7/1/05	4,908	8,577	3,669	57	5,500	67
7/1/04	4,203	7,797	3,594	54	5,472	66
7/1/03	3,347	7,453	4,106	45	5,109	80
7/1/02	3,038	7,120	4,082	43	4,996	82
7/1/01	3,125	5,485	2,360	57	4,295	55

**II. SCHEDULES OF EMPLOYER CONTRIBUTIONS**

<i>Fiscal Year</i>	<i>Durham City Employee Retirement System</i>		<i>COTPA Employee Retirement Trust</i>	
	<i>Annual Required Contribution</i>	<i>Percentage Contributed</i>	<i>Annual Required Contribution</i>	<i>Percentage Contributed</i>
2006	\$7,838	100%	\$298	111%
2005	6,484	100	324	109
2004	5,995	100	309	117
2003	6,202	100	356	74
2002	6,029	100	244	86
2001	6,484	100	187	100

**III. NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

*Annual Required Contributions*

See note VI. A. 1. for actuarial assumptions and other information used to determine the annual required contributions (ARC) for both plans.



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**CITY OF DURHAM CITY, OKLAHOMA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**ENCUMBRANCES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (NONGAAP BUDGETARY BASIS)**  
*year ended June 30, 2006*  
*(dollars are in thousands)*

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Expenditures</u>	<u>Encumbrances</u>	<u>Total Actual</u>	<u>Variance</u>
<b>REVENUES</b>							
Taxes:							
Sales taxes	\$153,467	\$ 2,852	\$156,319			\$161,734	\$ 5,415
Use taxes	18,762	2,200	20,962			22,827	1,865
Excise taxes	3,600	—	3,600			4,619	1,019
Remington Park admission tax	22	—	22			21	(1)
Alcoholic beverage taxes	686	—	686			613	(73)
Utility taxes	2,494	—	2,494			2,608	114
Total taxes	<u>179,031</u>	<u>5,052</u>	<u>184,083</u>			<u>192,420</u>	<u>8,339</u>
Licenses, permits, and fees:							
Licenses	1,352	78	1,430			1,376	(54)
Permits	7,819	(448)	7,371			8,628	1,257
Franchise fees	26,116	—	26,116			29,824	3,708
Other fees	533	370	903			956	53
Total licenses, permits, and fees	<u>35,820</u>	<u>—</u>	<u>35,820</u>			<u>40,784</u>	<u>4,964</u>
Fines and forfeitures	19,851	—	19,851			19,134	(717)
Investment income	1,363	—	1,363			1,486	123
Charges for services	8,413	721	9,134			10,022	888
Administrative charges	14,212	(1,560)	12,652			12,697	45
Other revenue	2,339	2,288	4,627			1,955	(2,672)
<b>Total revenues</b>	<u><b>261,029</b></u>	<u><b>6,501</b></u>	<u><b>267,530</b></u>			<u><b>278,500</b></u>	<u><b>10,970</b></u>
<b>EXPENDITURES AND ENCUMBRANCES</b>							
General government:							
Juvenile justice—municipal counselor:							
Personal services	120	(4)	116	\$ 116	\$—	116	0
Other services and charges	1	0	1	1	—	1	0
Supplies	5	1	6	5	—	5	0

(continued)

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Expenditures</u>	<u>Encumbrances</u>	<u>Total Actual</u>	<u>Variance</u>
Mayor and council:							
Personal services	729	50	779	769	3	772	7
Other services and charges	69	(3)	66	63	0	63	2
Supplies	9	7	16	12	0	12	4
City manager:							
Personal services	1,726	205	1,931	1,909	—	1,909	22
Other services and charges	172	11	183	173	5	178	5
Supplies	22	5	27	27	—	27	(0)
Municipal counselor:							
Personal services	4,151	247	4,398	4,324	—	4,324	74
Other services and charges	362	22	384	376	4	380	4
Supplies	85	(7)	78	74	1	75	3
Personnel:							
Personal services	1,960	—	1,960	1,925	—	1,925	35
Other services and charges	335	40	375	335	6	341	34
Supplies	14	2	16	15	—	15	1
City clerk:							
Personal services	449	2	451	447	—	447	4
Other services and charges	165	(9)	165	165	0	165	—
Supplies	13	4	17	16	1	17	—
Finance:							
Personal services	5,252	59	5,311	5,303	—	5,303	8
Other services and charges	969	36	1,005	966	37	1,003	2
Supplies	90	18	108	85	19	104	4
Capital outlay	—	55	55	10	20	30	25
City auditor:							
Personal services	915	—	915	817	—	817	98
Other services and charges	41	—	41	38	—	38	3
Supplies	10	—	10	7	2	9	1
General services:							
Personal services	2,366	34	2,400	2,379	—	2,379	21
Other services and charges	966	23	989	979	6	985	4
Supplies	167	225	392	356	18	374	18
Nondepartmental:							
Personal services	5,880	(5,150)	730	662	—	662	68
Other services and charges	17,242	(1,196)	16,046	14,654	508	15,162	884
Supplies	8	214	222	40	—	40	182
Capital outlay	1,280	344	1,624	1,613	11	1,624	—
Debt service	10	(5)	5	4	1	5	—
Total general government	45,583	(4,761)	40,822	\$38,665	642	39,307	1,515

CITY OF DURHAM CITY, OKLAHOMA  
GENERAL FUND

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SCHEDULE OF REVENUES, EXPENDITURES,  
ENCUMBRANCES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (continued)

year ended June 30, 2006

(dollars are in thousands)

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Expenditures</u>	<u>Encumbrances</u>	<u>Total Actual</u>	<u>Variance</u>
Public safety:							
Juvenile justice—court administration:							
Personal services	489	(36)	453	\$ 441	—	441	13
Other services and charges	161	—	161	100	26	126	35
Supplies	12	—	12	5	1	6	6
Municipal courts:							
Personal services	3,924	103	4,027	3,973	—	3,973	54
Other services and charges	1,325	19	1,344	1,257	16	1,273	71
Supplies	224	49	273	197	72	269	4
Police:							
Personal services	70,489	3,980	74,469	73,454	6	73,460	1,009
Other services and charges	10,502	639	11,141	10,885	256	11,141	—
Supplies	479	138	617	560	37	597	20
Fire:							
Personal services	63,826	1,581	65,407	65,339	—	65,339	68
Other services and charges	3,827	93	3,920	3,832	56	3,888	32
Supplies	1,038	212	1,250	1,190	31	1,221	29
Capital outlay	—	10	10	10	—	10	—
Total public safety	<u>156,296</u>	<u>6,788</u>	<u>163,084</u>	<u>161,243</u>	<u>501</u>	<u>161,744</u>	<u>1,340</u>
Public services:							
Neighborhood services:							
Personal services	4,439	(280)	4,159	4,045	2	4,047	112
Other services and charges	760	49	809	786	3	789	20
Supplies	313	67	380	363	—	363	17
Capital outlay	—	22	22	22	—	22	—

(continued)

	Original Budget	Revisions	Revised Budget	Expenditures	Encumbrances	Total Actual	Variance
Planning:							
Personal services	1,905	93	1,998	1,984	—	1,984	14
Other services and charges	339	544	883	417	460	877	6
Supplies	29	—	29	27	2	29	—
Public works:							
Personal services	14,432	146	14,578	14,574	—	14,574	4
Other services and charges	1,698	128	1,826	1,808	12	1,820	6
Supplies	505	80	585	471	44	515	70
Total public services	24,420	849	25,269	24,497	523	25,020	249
Culture and recreation:							
Parks:							
Personal services	11,722	(163)	11,559	11,544	—	11,544	15
Other services and charges	3,586	296	3,882	3,273	186	3,459	423
Supplies	1,688	(42)	1,646	1,364	136	1,500	146
Total culture and recreation	16,996	91	17,087	16,181	322	16,503	584
Encumbrances	—	—	—	(2,750)	—	(2,750)	2,750
Related to prior year budgets (1)	—	—	—	—	(1,988)	(1,988)	1,988
Related to current year budgets	243,295	2,967	246,262	\$237,836	\$ —	237,836	8,426
Total expenditures	17,734	3,534	21,268			40,664	19,396
<b>Excess of revenues over expenditures</b>							
<b>OTHER FINANCING SOURCES</b>							
<b>(USES)</b>							
Transfers from other funds:							
Grants Management Fund	45	—	45	—	—	331	286
General Obligation Bonds Fund	4,521	—	4,521	—	—	5,606	1,085
Police Fund	7,877	—	7,877	—	—	7,935	58
Fire Fund	10,260	—	10,260	—	—	10,336	76
DCMFA General Purpose Fund	—	312	312	—	—	78	(234)
DCPPA General Purpose Fund	—	789	789	—	—	715	(74)
Police/Fire Equipment Use	—	—	—	—	—	29	29
Tax Fund	—	—	—	—	—	—	—
Agency Fund	10	—	10	—	—	160	150
Total transfers from other funds	22,713	1,101	23,814	—	—	25,190	1,376
Transfers from component units:							
COTPA	—	50	50	—	—	72	22

CITY OF DURHAM CITY, OKLAHOMA  
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES,  
ENCUMBRANCES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (continued)

year ended June 30, 2006  
(dollars are in thousands)

	Original Budget	Revisions	Revised Budget	Expenditures	Encumbrances	Total Actual	Variance
Transfers to other funds:							
General government:							
Grants Management Fund	(100)	100	—			—	—
Street and Alley Fund	(5,500)	(2,500)	(8,000)			(8,000)	—
Arbitrage Reserve Fund	(50)	—	(50)			(50)	—
DCMFA General Purpose Fund	(16,502)	(643)	(17,145)			(17,145)	—
DCPPA General Purpose Fund	(1,851)	(5,231)	(7,082)			(7,082)	—
Police/Fire Equipment Sales							
Tax Fund	(793)	(213)	(1,006)			(1,006)	—
MAPS Operations Fund	(212)	212	—			—	—
Capital Improvement Fund	(4,033)	(3,481)	(7,514)			(7,514)	—
Fleet Services Fund	—	(200)	(200)			(200)	—
Total general government	<u>(29,041)</u>	<u>(11,956)</u>	<u>(40,997)</u>			<u>(40,997)</u>	—
Public safety:							
Emergency Management Fund	(2,950)	(102)	(3,052)			(3,052)	—
DCMFA General Purpose Fund	(475)	—	(475)			(475)	—
Capital Improvement Fund	—	(30)	(30)			(30)	—
Total public safety	<u>(3,425)</u>	<u>(132)</u>	<u>(3,557)</u>			<u>(3,557)</u>	—
Public services:							
Street and Alley Fund	(5,210)	869	(4,341)			(4,341)	—
DCMFA General Purpose Fund	(100)	—	(100)			(100)	—
Capital Improvement Fund	—	(16)	(16)			(16)	—
Total public services	<u>(5,310)</u>	<u>853</u>	<u>(4,457)</u>			<u>(4,457)</u>	—
Culture and recreation:							
DCPPA General Purpose Fund	(200)	—	(200)			(200)	—
Total transfers to other funds	<u>(37,976)</u>	<u>(11,235)</u>	<u>(49,211)</u>			<u>(49,211)</u>	—

(continued)

	Original Budget	Revisions	Revised Budget	Expenditures	Encumbrances	Total Actual	Variance
Transfers to component units:							
Public services:							
COTPA	(7,532)	(200)	(7,732)			(7,732)	—
Sale of assets	61	—	61			285	224
<b>Excess (deficiency) of revenues and other sources over (under) expenditures and other (uses)</b>	<b>(5,000)</b>	<b>(6,750)</b>	<b>(11,750)</b>			<b>9,268</b>	<b>21,018</b>
<b>Fund balance, beginning (Non-GAAP budgetary basis):</b>	5,000	4,000	9,000			9,000	—
Appropriated for current year budget	—	2,750	2,750			2,750	—
Reappropriated for prior year encumbrances	—	—	—			26,167	26,167
Not appropriated							
<b>Fund balance, beginning (Non-GAAP budgetary basis)</b>	<b>5,000</b>	<b>6,750</b>	<b>11,750</b>			<b>37,917</b>	<b>26,167</b>
<b>Fund balance, ending (Non-GAAP budgetary basis):</b>	3	3	6			47,185	47,185
Before encumbrances	—	—	—			(1,988)	(1,988)
Less: current year encumbrances							
<b>Fund balance, ending (Non-GAAP budgetary basis)</b>	<b>\$ 3</b>	<b>\$ 3</b>	<b>\$ 6</b>			<b>45,197</b>	<b>\$45,197</b>
<b>ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>							
Current year encumbrances included in expenditures						1,988	
Inventories						4,079	
Revenue and transfer accruals						35,673	
Expenditure and transfer accruals						607	
<b>Fund balance, ending (GAAP basis)</b>						<b>\$ 87,544</b>	
<b>NOTES TO BUDGETARY COMPARISON SCHEDULES:</b>							
(1) Under the non-GAAP budgetary basis, revenues are recorded when received and expenditures/encumbrances are recorded when the purchase order is issued or expected to be issued.							
(2) Expenditures paid against prior year encumbrances are reported with current year expenditures in the schedule shown. Prior year encumbrances reduce beginning budgetary fund balance. Therefore, prior year encumbrances are subtracted from current year expenditures to appropriately report the amount of beginning fund balance reappropriated for prior year encumbrances brought forward to the current year.							

CITY OF DURHAM CITY, OKLAHOMA  
CITY AND SCHOOLS SALES TAX FUND

.83

SCHEDULE OF REVENUES, EXPENDITURES,  
ENCUMBRANCES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (continued)

year ended June 30, 2006  
(dollars are in thousands)

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Expenditures</u>	<u>Encumbrances</u>	<u>Total Actual</u>	<u>Variance</u>
<b>REVENUES</b>							
Investment income	\$ —	\$ —	\$ —			\$ 25	\$ 25
<b>Total revenues</b>						<u>25</u>	<u>25</u>
<b>EXPENDITURES AND ENCUMBRANCES</b>							
Education:							
City manager:							
Personal services	592	—	592	\$ 557	\$ —	557	35
Other services and charges	695	—	695	575	—	575	120
Supplies	35	3	38	20	4	24	14
Encumbrances:							
Related to prior year budgets (1)	—	—	—	(3)	—	(3)	3
Related to current year budgets	—	—	—	—	(4)	(4)	4
Total expenditures	<u>1,322</u>	<u>3</u>	<u>1,325</u>	<u>\$1,149</u>	<u>\$ —</u>	<u>1,149</u>	<u>176</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(1,322)</u>	<u>(3)</u>	<u>(1,325)</u>			<u>(1,124)</u>	<u>201</u>
<b>OTHER FINANCING SOURCES</b>							
Transfers from other funds:							
City and Schools Sales Tax Fund (project-length budget)	1,122	—	1,122			1,122	—
<b>Excess (deficiency) of revenues and other sources over (under) expenditures</b>	<u>(200)</u>	<u>(3)</u>	<u>(203)</u>			<u>(2)</u>	<u>201</u>
<b>Fund balance, beginning (Non-GAAP budgetary basis):</b>							
Appropriated for current year budget	200	—	200			200	—
Reappropriated for prior year encumbrances	—	3	3			3	—
Not appropriated	—	—	—			156	156

(continued)

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Expenditures</u>	<u>Encumbrances</u>	<u>Total Actual</u>	<u>Variance</u>
<b>Fund balance, beginning (Non-GAAP budgetary basis)</b>	200	3	203			359	156
<b>Fund balance, ending (Non-GAAP budgetary basis):</b>							
Before encumbrances	—	—	—			357	357
Less: current year encumbrances	—	—	—		(4)	(4)	(4)
<b>Fund balance, ending (Non-GAAP budgetary basis)</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>			<u>353</u>	<u>\$353</u>

**ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**

Current year encumbrances included in expenditures

**Fund balance, ending (GAAP basis)**

**NOTES TO BUDGETARY COMPARISON SCHEDULES:**

- (1) Under the non-GAAP budgetary basis, revenues are recorded when received and expenditures/encumbrances are recorded when the purchase order is issued or expected to be issued.
- (2) Expenditures paid against prior year encumbrances are reported with current year expenditures in the schedule shown. Prior year encumbrances reduce beginning budgetary fund balance. Therefore, prior year encumbrances are subtracted from current year expenditures to appropriately report the amount of beginning fund balance reapportioned for prior year encumbrances brought forward to the current year.

4  
\$ 357



## Comment Letter

We welcome any comments and suggestions you have regarding this Checklist. Please send this completed form to: AICPA Accounting and Auditing Publications Team, 220 Leigh Farm Road, Durham, NC 27707. Thank you.

Checklist Title: \_\_\_\_\_

Comments and Suggestions:

