

GOVERNMENT FINANCE OFFICERS ASSOCIATION (GFOA)

**AWARD PROGRAM FOR SMALL GOVERNMENT CASH
BASIS REPORTS**

Statement of Principles

The Award Program for Small Government Cash Basis Reports (the program) is designed to help small governments that for practical considerations do not prepare financial statements in conformity with generally accepted accounting principles (GAAP) to improve the quality and consistency of their financial reports by

1. Providing guidelines to help standardize the format and content of annual financial reports prepared on a modified cash basis;
2. Encouraging governments to follow those guidelines by offering public recognition to those that successfully do so; and
3. Assisting governments to implement the guidelines by providing technical materials and training.

The program is designed to encourage *compliance* with basic norms of sound financial reporting in situations where GAAP financial reporting is not practical. The Certificate of Achievement for Excellence in Financial Reporting Program (Certificate of Achievement Program) recognizes *outstanding achievement* in financial reporting, which presupposes financial reporting in conformity with GAAP. For some governments, participation in the Award Program for Small Government Cash Basis Reports may be a first step toward GAAP financial reporting and participation in the Certificate of Achievement Program.

Any government, regardless of type, that reports \$25 million or less in revenues for the primary government in the government-wide financial statements (either for the current year or the average of the five most recent years) is eligible to participate in the Award Program for Small Government Cash Basis Reports unless it is required to prepare a GAAP financial report or has done so at any time in the most recent five years.

The program prescribes a modified cash basis financial reporting framework consistent with the provisions of the American Institute of Certified Public Accountants' (AICPA) auditing standards for *special purpose frameworks*.¹ For purposes of this program, a "modified cash basis" presentation must meet all of the following criteria:

- (a) The report must comply, in substance, with the basic requirements of GAAP for financial statement presentation, but applied in a manner consistent with a modified cash basis. For example, a small general purpose government would need to present a combination of government-wide and fund financial statements (i.e., *compliance, in substance, with the basic requirements of GAAP*), but would use the same modified cash basis for presenting data in both (i.e., *applied in a manner consistent with a modified cash basis*);
- (b) Only cash (and cash equivalents) and items that involve the receipt or disbursement of cash (or cash equivalents) during the period should be recognized, except as follows:
 - (1) *Interfund receivables and payables* that arise from transactions and events involving cash or cash equivalents must be recognized;
 - (2) *Assets that normally convert to cash or cash equivalents* (e.g., certificates of deposit, marketable investments, and receivables resulting from loans) that arise from transactions and events involving cash or cash equivalents must be recognized;
 - (3) *Liabilities for cash (or cash equivalents) held on behalf of others, held in escrow, or received in advance of being earned or meeting eligibility requirements* must be recognized;²

¹See AU-C Section 800, "Special Considerations-Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks" (AICPA Professional Standards).

²Conversely, a statement of position would *not* report: (a) capital assets or long-term debt that arise from transactions or events involving the receipt or disbursement of cash or cash equivalents; (b) deferred outflows of resources or deferred inflows of resources; (c) prepaid items; (d) supplies inventories; (e) accrued assets and accrued

- (c) Note disclosures similar to those required by GAAP must be made if they are relevant to any of the items listed in (b); and
- (d) Other note disclosures related to matters not presented on the face of the financial statements should be provided, as considered necessary.

By definition, the concept of required supplementary information (RSI) applies exclusively to financial reports prepared in conformity with GAAP. Accordingly, the Award Program for Small Government Cash Basis Reports prescribes alternative treatments for including certain information that normally is presented as RSI in connection with GAAP financial reports:

- Budgetary comparisons for the general fund and major special revenue funds with legally adopted annual (or biennial) budgets must be presented as a basic financial statement; and
- Certain relevant information normally required to be presented as part of management's discussion and analysis (MD&A) in connection with GAAP financial reports must be incorporated into the letter of transmittal.

The program requires that the basic financial statements and certain other information be presented as part of a cash basis financial report rather than as part of a comprehensive annual financial report (CAFR). A cash basis financial report, like a CAFR, must include both an introductory section and a financial section. Conversely, unlike a CAFR, a cash basis report does *not* have to include a statistical section.

The financial section of a cash basis financial report, like that of a CAFR, must present combining and individual fund financial statements and schedules, including budgetary comparisons presented at the legal level of budgetary control for all individual governmental funds with legally adopted annual or biennial budgets. In addition, the financial section needs to provide the following schedules of five-year trend data, as applicable:

- Net position – government-wide financial statements – modified cash basis,
- Changes in net position – government-wide financial statements – modified cash basis,
- Fund balances – governmental funds – modified cash basis,
- Revenues, expenditures, and changes in fund balances – governmental funds – modified cash basis, and
- Outstanding debt by type.

liabilities; or (f) other assets or liabilities that do not arise in connection with transactions or events involving the receipt or disbursement of cash or cash equivalents.

PREPARER CHECKLIST – GENERAL PURPOSE GOVERNMENTS

This checklist is designed to assist in the preparation of a cash basis financial report for a general purpose government that uses a modified cash basis financial reporting framework as described above. It is available in electronic form at the GFOA's website (www.gfoa.org) under the heading **Award Programs** in the *Award Program for Small Government Cash Basis Reports* section. While this checklist is designed to provide comprehensive guidance for financial statement preparers, its use does *not* guarantee that a given report will be granted the Award.

Throughout the document, indentation is used to indicate that a given question assumes a positive response to the preceding question. Consequently, financial statement preparers do *not* need to consider indented questions for which the response to the lead-in question is either “no” or “not applicable.” Clarifications concerning certain items are offered in the form of an explanation provided in a box that immediately follows the item being clarified.

An asterisk (*) indicates that a negative response for that item, of itself, would likely disqualify a report from being presented with the Award for Small Government Cash Basis Reports. Negative responses for other items or combinations of items may also disqualify a report from receiving the award.

The GFOA's recommendations on the format and contents of the introductory and financial sections of a comprehensive annual financial report (CAFR) are presumed to apply equally to a cash basis financial report to the extent that those recommendations are consistent with a modified cash financial reporting framework, as described above. All references in this checklist to the GFOA's 2012 edition of *Governmental Accounting, Auditing, and Financial Reporting* (“Blue Book”) should be understood in that context.

A cash basis financial report will be graded for each of the following categories, as applicable:

1. Cover, Table of Contents, and Formatting
2. Introductory Section
3. Financial Section - Report of the Independent Auditor
4. Financial Section - Basic Financial Statements (Preliminary Considerations)
5. Financial Section - Government-wide financial statements
6. Financial Section - Fund financial statements (general considerations)
7. Financial Section - Governmental fund financial statements
8. Financial Section - Proprietary fund financial statements
9. Financial Section - Fiduciary fund financial statements
10. Financial Section - Summary of significant accounting policies (SSAP)
11. Financial Section - Detailed note disclosures
12. Financial Section - Combining and individual fund information and other supplementary information
13. Financial Section - Other information accompanying the basic financial statements
14. Other considerations

Abbreviations Used in this Checklist

| | | |
|-----------|---|--|
| AICPA | - | American Institute of Certified Public Accountants |
| AU-C | - | Clarified auditing standards of the AICPA |
| GAAFR | - | 2012 <i>Governmental Accounting, Auditing, and Financial Reporting</i> (“Blue Book”) |
| GASB | - | Governmental Accounting Standards Board (GASB) |
| GASB - I | - | GASB Interpretation |
| GASB - S | - | GASB Statement |
| GASB - C | - | GASB Concepts Statement |
| GASB - TB | - | GASB Technical Bulletin |
| NCGA | - | National Council on Governmental Accounting |
| NCGA - I | - | NCGA Interpretation |
| NCGA - S | - | NCGA Statement |
| Q&A | - | <i>GASB Comprehensive Implementation Guide</i> |
| SLG | - | AICPA Accounting and Audit Guide <i>State and Local Governments</i> |

Q&A references are followed by chapter and question number (e.g., chapter 7, paragraph 14 = Q&A 7.14)

SLG references are followed by chapter and paragraph (e.g., chapter 10, paragraph 3 = SLG 10.03)

GASB and NCGA references are followed by 1) pronouncement number and 2) either paragraph number, footnote number, or appendix reference.

GAAFR references are followed by page number (e.g., GAAFR 325).

1. COVER, TABLE OF CONTENTS, AND FORMATTING

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|---|-------|-------|------|--|
| _____ | _____ | _____ | 1.1 | Does the report cover describe the document as an “annual financial report”? [GAAFR 591] |
| _____ | _____ | _____ | 1.2 | Does the report cover include the name of the government? [GAAFR 591] |
| _____ | _____ | _____ | 1.3 | Does the report cover include the name of the state within which the government is located? [GAAFR 591] |
| _____ | _____ | _____ | 1.4 | Does the report cover indicate the fiscal period covered? [GAAFR 591] |
| <p>Explanation: The description of the fiscal year should include the exact date on which the fiscal year ended (e.g., <i>for the fiscal year ended June 30, 2014</i>).</p> | | | | |
| _____ | _____ | _____ | 1.5 | Is there a title page? [GAAFR 591] If so: |
| _____ | _____ | _____ | 1.5a | Does it describe the document as an “annual financial report”? [GAAFR 591] |
| _____ | _____ | _____ | 1.5b | Does it indicate the fiscal period covered? [GAAFR 591] |
| _____ | _____ | _____ | 1.5c | Does it include the name of the department responsible for preparing the report? [GAAFR 591] |
| <p>Explanation: The name of the department is sufficient. It is not necessary to actually state that the report was prepared by the department responsible.</p> | | | | |
| _____ | _____ | _____ | 1.5d | Does it include the name of the state within which the government is located? [GAAFR 591] |
| _____ | _____ | _____ | 1.6* | Is a table of contents included that encompasses the entire report? [NCGA-S1: 139; GAAFR 591] If so: |
| _____ | _____ | _____ | 1.6a | Does it clearly segregate the two basic sections of the report (i.e., introductory section and financial section)? [GAAFR 591] |
| _____ | _____ | _____ | 1.6b | Does it clearly distinguish the basic financial statements (including the notes) from the other contents of the financial section? [GAAFR 591] |
| _____ | _____ | _____ | 1.6c | Does it identify each statement and schedule by its full title? [GAAFR 591] |
| _____ | _____ | _____ | 1.6d | Does it include a page number reference for each item? [GAAFR 591] |
| <p>Explanation: All items on the table of contents should be accompanied by a page number. Exhibit numbers, while permitted, are not a substitute for page numbers.</p> | | | | |

Yes No N/A

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|-------|-------|-------|------|---|
| _____ | _____ | _____ | 1.7 | If a statement or schedule occupies more than a single pair of facing pages, does the statement or schedule alert readers to this fact by including the word “continued” on the first pair of facing pages, as well as on each subsequent pair of facing pages? [Award for Small Government Cash Basis Reports Program requirement] |
| _____ | _____ | _____ | 1.8 | Does each page have a page number? [Award Program requirement] |
| _____ | _____ | _____ | 1.9 | Are text and numbers throughout the report easily readable? [Award Program requirement] |
| _____ | _____ | _____ | 1.10 | Has the government refrained from reporting cents? [Award Program requirement] |
| _____ | _____ | _____ | 1.11 | If numbers are rounded to the nearest thousand, is this fact clearly indicated? [Award Program requirement] |

2. INTRODUCTORY SECTION

GENERAL CONSIDERATIONS

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|-------|-------|-------|-----|--|
| _____ | _____ | _____ | 2.1 | If the government received the Award in the immediately preceding fiscal year, is a copy of that award included somewhere within the introductory section? [GAAFR 594] |
| _____ | _____ | _____ | 2.2 | Are the government’s principal officials (elected, appointed, or both) listed somewhere within the introductory section? [GAAFR 594] |

Explanation: For this purpose a government may present either its principal officials in place during the fiscal year, its principal officials in place at the time the report is issued, or some combination of both.

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| _____ | _____ | _____ | 2.3 | Is an organizational chart included somewhere within the introductory section? [GAAFR 594] |
|-------|-------|-------|-----|--|

LETTER OF TRANSMITTAL

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| _____ | _____ | _____ | 2.4* | Is a letter of transmittal included within the introductory section? [NCGA-S1: 139; GAAFR 591-594] If so: |
| _____ | _____ | _____ | 2.4a | Is it presented on the letterhead stationery of the government? [GAAFR 592] |
| _____ | _____ | _____ | 2.4b | Is it dated on or after the date of the independent auditor’s report? [GAAFR 592] |
| _____ | _____ | _____ | 2.4c | Is it signed by at least the chief financial officer? [GAAFR 592] |

Explanation: If the chief financial officer at the time the letter of transmittal is issued is different than the chief financial officer at the end of the fiscal period, either individual may sign the letter.

Yes No N/A

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| _____ | _____ | _____ | 2.4d | Does it state that management is responsible for the contents of the report? [GAAFR 592] |
| _____ | _____ | _____ | 2.4e | Does it provide a profile of the government? [GAAFR 593] |
| _____ | _____ | _____ | 2.4f* | Does it provide condensed financial data extracted from the government-wide financial statements for both the current fiscal period and the prior fiscal period? [GAAFR 568-569] ³ |

Explanation: The condensed data should include:

- Total assets;
- Total liabilities;
- Total net position (distinguishing *restricted net position* from *unrestricted net position*);
- Program revenues (by major source);
- General revenues (by major source);
- Total revenues;
- Program expenses (at least by function);
- Total expenses;
- Excess or deficiency (before other items);
- Contributions (to term or permanent endowments or permanent fund principal);
- Special and extraordinary items;
- Transfers;
- Change in net position;
- Ending net position from the statement of activities.

The presentation should distinguish data related to governmental activities from data related to business-type activities.

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| _____ | _____ | _____ | 2.4g | Does it provide an overall analysis of the government’s financial position and results of operations from the perspective of a modified cash basis? [GAAFR 569] |
|-------|-------|-------|------|---|

Explanation: Analysis, properly speaking, should focus on the reasons for changes rather than just their size.

If economic factors significantly affected the operating results of the current period, they should be discussed as part of this analysis.[GAAFR 569]

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| _____ | _____ | _____ | 2.4g1 | Does it alert readers to the limitations inherent in using a modified cash basis? [Award Program requirement] |
|-------|-------|-------|-------|---|

³ Authoritative guidance on required supplementary information (RSI) applies only to financial statements prepared in conformity with GAAP. Consequently, financial reports prepared using a modified cash basis financial reporting framework do *not* include management’s discussion and analysis (MD&A) as RSI. To avoid the potential loss of valuable information, the Award Program requires that certain information normally presented as MD&A be incorporated into the letter of transmittal in a report. It is in that context that references to the GAAFR’s discussion of MD&A are relevant to a cash basis financial report. Alternatively, a government could provide a separate MD&A as “other information accompanying the basic financial statements” rather than as RSI.

Yes No N/A

2.4g2

Does it specifically address whether the government’s overall financial position has improved or deteriorated from the perspective of a modified cash basis? [GAAFR 569]

Explanation: It is not necessary for the discussion to use the word “improved” or “deteriorated.” A statement that net position has increased or decreased is sufficient.

2.4g3

Does it address *governmental activities* separately from *business-type activities*? [GAAFR 569]

2.4h

Does it provide an analysis of significant balances and transactions of individual major funds? [GAAFR 569]

Explanation: Analysis, properly speaking, should focus on the reasons for changes rather than just their size. Normally, the analysis of individual funds is provided separately from the overall analysis described in question 2.4g. However, sometimes governments combine the overall analysis and the fund analysis. Either approach is acceptable as long as the analysis includes both 1) reasons for the changes for each type of activity and 2) reasons for the changes for the individual major funds, as necessary (i.e., funds with significant balances and/or transactions).

2.4h1

Does it address whether restrictions, commitments, or other limitations significantly affect the availability of fund resources for future use? [GAAFR 569]

2.4i

Does it provide an analysis of significant budgetary variations (both original budget versus final amended budget and final amended budget versus actual) for the general fund? [GAAFR 570]

If any currently known reasons for budgetary variations in the general fund are expected to have a significant effect on future liquidity or services, the letter of transmittal should explain that fact. [GAAFR 570]

The government should disclose any other “currently known facts, conditions, or decisions” that are expected to have a significant effect on financial position (net position) or results of operations (revenues, expenses, and other changes in net position). [GAAFR , 571]

Explanation: “Currently known facts, conditions, or decisions” are those known by management as of the date of the independent auditor’s report. Examples of items that meet the criteria and should be discussed include:

- *The award and acceptance of a major grant;*
- *The adjudication of a significant lawsuit;*
- *The reassessment of taxable property;*
- *The completion of an agreement to locate a major manufacturing plant in the government’s boundaries;*
- *A renegotiated labor contract with employees;*
- *A flood that caused significant damage to a government’s infrastructure.*

The emphasis is on things that have actually happened rather than those that might happen (e.g., the possible award of a grant, the potential for the location of a major business within the government's boundaries).

_____ 2.4j Does it contain information designed to assist users in assessing the government's economic condition (e.g., information on the local economy)? [GAAFR 593]

Explanation: Examples of types of information that might be useful in assessing a government's economic condition include information associated with a government's long-term financial planning, financial policies that were relevant in the current period (e.g., application in the current period of the government's policy on the use of one-time revenue sources), and major initiatives that are expected to affect future financial position.

_____ 2.4k Do the amounts reported in the letter of transmittal agree with related amounts in the basic financial statements? [Award Program requirement]

_____ 2.4l Does it contain acknowledgements? [GAAFR 594]

If the government received the Award for Small Government Cash Basis Reports or some other award, the government may mention such awards in the letter of transmittal. [GAAFR 594]

Explanation: While it is appropriate to mention awards in a letter of transmittal, the awards thus mentioned ought to have some bearing on the government's financial management.

3. FINANCIAL SECTION – REPORT OF THE INDEPENDENT AUDITOR

_____ 3.1* Are the basic financial statements accompanied by the report of the independent auditor? [GAAFR 594]

_____ 3.2 Is the report of the independent auditor presented as the first item in the financial section of the report? [Award Program requirement]

_____ 3.3 Did the independent auditor conduct the audit in conformity with either generally accepted auditing standards (GAAS) or generally accepted government auditing standards (GAGAS, i.e., *Government Auditing Standards*)? [Award Program requirement]

_____ 3.4 *For reports issued on financial statements for periods ending before 12/15/2012, does the auditor's report include a paragraph that 1) states that the basis of presentation is a modified cash basis and refers to the note to the financial statements that describes that basis and 2) states that the basis of the presentation is a comprehensive basis of accounting other than generally accepted accounting principles? [AU Section 623.05d]*

Yes No N/A

- _____ _____ _____ 3.5 *For reports issued on financial statements for periods ending on or after 12/15/2012, does the explanation of management’s responsibility within the independent auditor’s report make reference to management’s responsibility for determining that the modified cash basis framework applied is acceptable in the circumstances? [AU-C Section 800, par .18a]*
- _____ _____ _____ 3.6 *For reports issued on financial statements for periods ending on or after 12/15/2012, does the independent auditor’s report include an emphasis-of-matter paragraph following the auditor’s opinion paragraph that (a) indicates that the financial statements are prepared in accordance with the modified cash basis of accounting, (b) refers to the note to the financial statements that describes the modified cash basis of accounting applied, and (c) states that the modified cash basis of accounting is a basis of accounting other than GAAP? [AU-C Section 800, par .19]*
- _____ _____ _____ 3.7* Did the independent auditor express an unqualified opinion on the fair presentation of the basic financial statements in conformity with a modified cash basis financial reporting framework? [Award Program requirement]
- Explanation: The independent auditor’s opinion is considered to be *unqualified* unless the auditor 1) offers an adverse opinion, 2) offers a qualified opinion (that is, fairly presented *except for...*), or 3) disclaims an opinion on all or a portion of the basic financial statements.
- _____ _____ _____ 3.8 Does the independent auditor indicate, at a minimum, that combining and individual fund financial statements and schedules are fairly presented “in relation to” the basic financial statements? [Award Program requirement]
- _____ _____ _____ 3.9 Did the independent auditor sign and date the report? [Award Program requirement]

**4. FINANCIAL SECTION – BASIC FINANCIAL STATEMENTS
(PRELIMINARY CONSIDERATIONS)**

- _____ _____ _____ 4.1* Is a full set of basic financial statements (i.e., both government-wide financial statements and fund financial statements) presented? [GASB S34, 6b]

Explanation: A single-program government could present its government-wide and fund financial statements in a single combined presentation [Q&A, Appendix 7-2]

Explanation: The statement of changes in assets and liabilities for agency funds – modified cash basis should *not* be included within the basic financial statements, but should be included with the combining and individual fund statements and schedules elsewhere in the financial section.

If so, does it include each of the following statements (if applicable):

Explanation: The following questions are inapplicable to a single-program government that elects to present its government-wide and fund financial statements in a single combined presentation [Q&A, Appendix 7-2]

Yes No N/A

- | <u>Yes</u> | <u>No</u> | <u>N/A</u> | | |
|------------|-----------|------------|-------|---|
| _____ | _____ | _____ | 4.1a* | Government-wide statement of net position – modified cash basis? [GASB-S34: 12] |
| _____ | _____ | _____ | 4.1b* | Government-wide statement of activities – modified cash basis? [GASB-S34: 12] |
| _____ | _____ | _____ | 4.1c* | Balance sheet – governmental funds – modified cash basis? [GASB-S34: 78] |
| _____ | _____ | _____ | 4.1d* | Statement of revenues, expenditures, and changes in fund balances – governmental funds – modified cash basis? [GASB-S34: 78] |
| _____ | _____ | _____ | 4.1e* | Statement of revenues, expenditures and changes in fund balances – budget and actual – general fund and major special revenue funds (budgetary basis)? [GASB-S34: note 53, Award Program requirement] |
| _____ | _____ | _____ | 4.1f* | Statement of net position – proprietary funds – modified cash basis? [GASB-S34: 91] |
| _____ | _____ | _____ | 4.1g* | Statement of revenues, expenses, and changes in fund net position – proprietary funds – modified cash basis? [GASB-S34: 91] |
| _____ | _____ | _____ | 4.1h* | Statement of cash flows – proprietary funds – modified cash basis? [GASB-S34: 91] |
| _____ | _____ | _____ | 4.1i* | Statement of fiduciary net position– modified cash basis? [GASB-S34: 106] |
| _____ | _____ | _____ | 4.1j* | Statement of changes in fiduciary net position– modified cash basis? [GASB-S34: 106] |
| _____ | _____ | _____ | 4.2 | Are all of the basic financial statements referred to by their appropriate titles, including an indication that they are prepared on a modified cash basis (with the possible exception of the budgetary comparison statement)? [Award Program requirement] |

Explanation: the budgetary comparison statement is always presented on the budgetary basis, which may differ from the modified cash basis.

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| _____ | _____ | _____ | 4.3 | Are all of the basic financial statements grouped together at the front of the financial section of the report? [Award Program requirement] |
| _____ | _____ | _____ | 4.4 | Do all of the basic financial statements include a reference to the notes? [NCGAI-6, paragraph 8] |
| _____ | _____ | _____ | 4.5 | If the government has multiple <i>major</i> discretely presented component units, do the basic financial statements present separate information on each as either: 1) separate columns in the government-wide financial statements, 2) combining statements included as part of the basic financial statements, or 3) condensed financial statements included within the notes to the financial statements? [GASB-S14: 50-1; GASB-S34: 126; GAAFR 299-300] |

Explanation: the determination that a component unit is *major* should be based on the nature and significance of its relationship to the primary government. This determination generally would be based on any of the following factors:

(a) the services provided by the component unit to the citizenry are such that separate reporting as a major component unit is considered to be essential to financial statement users; (b) there are significant transactions with the primary government; or (c) there is a significant financial benefit or burden relationship with the primary government. [GASB-S14:51; GASB-S61:7a]

4.6* Has the government refrained from making direct adjustments to equity except for 1) prior-period adjustments or 2) the cumulative effect of a change in accounting principle? [SLG, 10.03; GAAFR 115-116]

Explanation: Government-wide and fund financial statements must be presented using an all-inclusive format. That is, all changes to net position normally should be reported as part of the results of operations for the current period rather than treated as a direct adjustment to net position. Two exceptions to this general rule are prior-period adjustments and changes in accounting principle.

4.7* Do financial statements within each category (i.e., government-wide, governmental funds, proprietary funds, and fiduciary funds) articulate with one another? (e.g., does the amount reported for *net position* at the end of the period in the government-wide statement of activities tie to the corresponding amount reported for *net position* in the government-wide statement of net position?)

5. FINANCIAL SECTION – GOVERNMENT-WIDE FINANCIAL STATEMENTS

GENERAL CONSIDERATIONS

5.1* Are *governmental activities* and *business-type activities* reported as separate columns? [GASB-S34: 12d, 15; GAAFR 298-299]

5.2* Is a total column presented for the primary government? [GASB-S34: 14; GAAFR: 299]

5.2a* Is the total column for the primary government consolidated? [GASB-S34: 57-60; GAAFR: 299]

Explanation: The consolidated total column for the primary government presented in the government-wide statement of net position should not include either internal receivables or internal payables arising from transactions or events involving cash or cash equivalents, unless there is a difference in fiscal year between the primary government and a blended component unit. Amounts due to/from fiduciary funds should not be reported as interfund balances. Likewise, the total column on the statement of activities should not include transfers.

5.3* Are any discretely presented component units presented in one or more separate columns to the right of the total column for the primary government? [GASB-S34: 12c; GAAFR: 299-300]

5.3a* Has the government refrained from blending component units that do not meet at least one of the following criteria: 1) The component unit's governing body is substantively the same as the governing body of the primary government *and* either (a) there is either a financial benefit or burden relationship between the primary government and the component

unit or (b) management of the primary government has operational responsibility for the component unit 2) The component unit provides services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government, or 3) The component unit's total debt outstanding, including leases, is expected to be repaid entirely, or almost entirely, with the resources of the primary government. [GASB-S61: 8a-c; GAAFR: 80-81]

Explanation: *substantively the same* means sufficient representation of the primary government's entire governing body so that decisions of the primary government cannot be overridden by the component unit. A component unit *exclusively or almost exclusively benefits the primary government* if it provides benefit to the primary government itself, as an organization, rather than to its citizens.

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|-------|-------|-------|------|---|
| _____ | _____ | _____ | 5.4* | Has the government refrained from including either fiduciary funds or fiduciary-type component units in the government-wide financial statements? [GASB-S34: 12b; GAAFR: 295] |
| _____ | _____ | _____ | 5.5 | Has the government refrained from using interfund terminology (e.g., <i>transfers</i>) to refer to balances and transactions between the primary government and discretely presented component units? [GASB-S34: 61; GAAFR: 53] |
| _____ | _____ | _____ | 5.6 | Has the government reported only amounts arising from transactions or events involving cash or cash equivalents pursuant to a modified cash basis reporting framework as described in Part A – Statement of Principles? [Award Program requirement] |
| _____ | _____ | _____ | 5.7 | Are financial statement captions presented in a manner consistent with the use of a modified cash basis reporting framework? |

Governments have the option of using either 1) the captions normally used in GAAP basis financial statements (e.g., *revenues* and *expenses*) or 2) captions that have been specifically modified to reflect the use of a modified cash basis reporting framework (e.g., *revenues received*, *expenditures paid*). The first option presupposes that the titles of the financial statements clearly indicate that the financial statements were prepared on a modified cash basis (an Award Program requirement).

GOVERNMENT-WIDE STATEMENT OF NET POSITION

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|-------|-------|-------|------|---|
| _____ | _____ | _____ | 5.8* | Is the difference between assets and liabilities reported as <i>net position</i> ? [GASB-S34: 30; GAAFR: 300] |
| _____ | _____ | _____ | 5.8a | Are only amounts with externally imposed restrictions (e.g., through debt covenants or by grantors) or restrictions imposed by law through constitutional provisions or enabling legislation included in the calculation of restricted net position? [GASB-S34: 34; Q&A 7.24.1; GAAFR: s 304-305] |

Explanation: If the amount of liabilities to be paid from assets with restrictions on their use exceeds the amount of those assets, the excess would affect the calculation of unrestricted net position.

If a government has both permanently and temporarily restricted net position, the amount reported for “restricted net position” should be divided between “nonexpendable” (i.e., permanently restricted) and “expendable” (i.e., temporarily restricted) amounts. [GASB-S34: 35; GAAFR: 305]

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

_____ 5.9* Does the format of the statement present expenses before revenues? [GASB-S34: 38; GAAFR: 305]

_____ 5.10* Is information on expenses for *governmental activities* presented at least at the *functional level* of detail? [GASB-S34: 39; GAAFR: 306]

Explanation: Expenses related to governmental activities should be classified by function or program (e.g., general government, public safety, parks and recreation) rather than by object of expenditure (e.g. salaries and wages). Additional detail may be provided, but not as a substitute for presentation by function or program.

_____ 5.11* Is information on expenses for *business-type activities* presented at least by *different identifiable activities*? [GASB-S37: 10; GAAFR: 306]

Explanation: An activity is *identifiable* if it has a specific revenue stream and related expenses, gains, and losses that are accounted for separately.

Whether a one activity is *different* from another generally depends on the goods or services it provides. For example, a utility supplying water is different from a utility providing electricity even though both are *utilities*. All expenses should be reported by identifiable activity (i.e., interest expense or intergovernmental expenses should *not* be reported separately).

_____ 5.12 Is debt service reported separately for *governmental activities* rather than included as part of functional or programmatic expense? [GASB-S34: 46; GAAFR: 307-308]

_____ 5.13* Does the format of the statement present *program revenues* associated with individual functions and activities? [GASB-S34: 38; GAAFR: 310]

_____ 5.13a* Are program revenues presented for both *governmental activities* and *business-type activities*? [GAAFR: 310]

_____ 5.13b Are program revenues segregated into the following categories, as appropriate: 1) *charges for services*, 2) *operating grants and contributions*, and 3) *capital grants and contributions*? [GASB-S34: 48; GASB-S37: 12, note d; GAAFR: 310-311]

Explanation: The government is not restricted to using the broad

category descriptions as the headings for its program revenue columns. More descriptive category headings may be used if the government believes they are more reflective of the amounts reported within the columns (e.g., *operating grants, contributions, and restricted interest*). Also, more than one column may be used to display the program revenues of an individual category (e.g., one column for *fees* and a second column for *finances and forfeitures* rather than a single column for *charges for services*).

Fees and charges should be reported as program revenues of the function or activity that generates them, even if they will be used to support some other function or activity. [GASB-S37: 13; Q&A 7.39.3; GAAFR: 311]

Grants and contributions should be reported as program revenues only if their use is restricted to particular functions and activities. Grants or contributions that may be used for either capital or operating purposes should be classified as “operating grants and contributions.” [GASB-S34: 50; Q&A 7.39.4; 2005 GAAFR: s 310-311]

5.13c

Has the government refrained from including taxes that it has levied as program revenues? [GASB-S34: 52; GAAFR: 309]

Explanation: Amounts that a government receives as shared revenues from taxes levied by another government are not “taxes” from the perspective of the recipient and should be reported as program revenue if their use is restricted to one or more specific programs.

5.13d*

Has the government combined the expenses of individual functions and activities with related program revenues to calculate the net expense/revenue of each function and activity? [GASB-S34: 38; GAAFR: 310]

5.14

Has the government reported each major source of tax revenues separately within *general revenues*? [GASB-S34: 52; GAAFR: 313]

Explanation: If portions of a government’s property tax levy are devoted to specific purposes, the government may choose to report a separate line for each purpose, although this is not required.

5.15

Has the government reported special assessments as *program revenues* rather than as *general revenue*? [GASB-S34: 49; GASB-S37: 13; Q&A 7.36.1, 7.200; GAAFR: 309]

5.16

Has the government reported the following items separately, both from each other and from *general revenues*: contributions, special items, extraordinary items, and transfers? [GASB-S34: 53-6; GAAFR: 313-315]

6. FINANCIAL SECTION – FUND FINANCIAL STATEMENTS

GENERAL CONSIDERATIONS

Yes No N/A

6.1 Has the government refrained from reporting discretely presented component units as one or more separate columns in the fund financial statements? [GASB-S34: 63; GAAFR 262]

Explanation: The fiduciary fund financial statements should *not* distinguish data on fiduciary-type component units from data on the primary government's fiduciary funds. Instead, data from both sources should be combined and reported simply by fund type.

6.2 Do interfund receivables and interfund payables arising from transactions involving cash or cash equivalents equal (unless there is a difference in fiscal year between the primary government and its blended component units)? [Q&A 7.22.10; GAAFR 299, note 9]

6.3 Do transfers between funds arising from transactions involving cash or cash equivalents equal (unless there is a difference in fiscal year between the primary government and its blended component units)? [Q&A 7.22.10; GAAFR 313, note 76]

6.4 Has the government refrained from reporting overdrafts of pooled cash and investments as a negative asset balance (i.e., *negative cash*)? [SLG 5.28; GAAFR 543]

6.5* Has the government refrained from blending component units that do not meet at least one of the following criteria: 1) The component unit's governing body is substantively the same as the governing body of the primary government *and* either (a) there is a financial benefit or burden relationship between the primary government and the component unit, *or* (b) management of the primary government has operational responsibility for the component unit 2) The component unit provides services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government, or 3) The component unit's total debt outstanding, including leases, is expected to be repaid entirely or almost entirely with the resources of the primary government. [GASB-S61: 8a-c; GAAFR 80-81]

Explanation: *substantively the same* means sufficient representation of the primary government's entire governing body so that decisions of the primary government cannot be overridden by the component unit. A component unit *exclusively or almost exclusively benefits the primary government* if it provides benefit to the primary government itself, as an organization, rather than to its citizens.

6.6 Has the government refrained from blending legally separate tax-exempt organizations that are classified as component units only because of the nature and significance of their relationship with the primary government? [GASB-S39: 5 and 7; GAAFR 81]

Explanation: Legally separate tax-exempt organizations that do not meet either test for financial accountability must nonetheless be included as *discretely presented* component units when they meet all three of the following criteria:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents;

- The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; and
- The economic resources received or held by an individual organization that the specific primary government is entitled to, or has the ability to otherwise access, are significant to the primary government.

If legally separate tax-exempt entities do not meet the three criteria, but are included all the same because their inclusion is considered necessary to avoid incomplete or potentially misleading financial reporting, the normal criteria for blending would be applicable, and blending could be appropriate in rare instances.

_____ 6.7 Has the government reported only amounts arising from transactions or events involving cash or cash equivalents pursuant to a modified cash basis of accounting framework described in Part A – Statement of Principles? [Award Program requirement]

7. FINANCIAL SECTION – GOVERNMENTAL FUND FINANCIAL STATEMENTS

GENERAL CONSIDERATIONS

_____ 7.1* Has the government included only governmental fund types (i.e., general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds)? [GASB-S34: 63; GAAFR 40]

_____ 7.2* If reported, are special revenue funds used only to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects? [GASB-S54: 30; GAAFR 40-41]

Explanation: The proper use of a special revenue fund requires that one or more specific restricted or committed revenue sources be the foundation for the fund. Further, the restricted or committed proceeds of specific revenue sources should be expected to continue to comprise a substantial portion of the inflows reported in the fund. As long as the requirement for one or more foundation restricted or committed revenue sources is met, other resources (e.g., transfers from other funds) also may be reported in the fund if those resources are restricted, committed, or assigned to the specified purposes of the special revenue fund. If the government no longer expects that a substantial portion of the inflows of the fund will result from the restricted or committed revenue sources it will be necessary to discontinue the use of a special revenue fund. In such cases the government should report the remaining resources of the special revenue fund in the general fund. When the special revenue fund accounts for revolving loan arrangements with initial funding from grant revenues the evaluation of whether to continue the use of a special revenue fund may be whether those restricted resources (i.e., the initial grant revenues) continue to comprise a substantial portion of the fund balance in the special revenue fund’s balance sheet.

_____ 7.3 If a stabilization arrangement is reported as a separate special revenue fund, do the resources originate from a specific restricted or committed revenue source? [GASB-S54: 21; GAAFR 41]

Yes No N/A

7.4 Does the government refrain from using a special revenue fund to account for resources held in trust for individuals, private organizations, or other governments? [GASB-S54: 30; GAAFR 46]

7.5 If reported, are capital projects funds used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets except for capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations or other governments? [GASB-S54: 33; GAAFR 42]

7.6 If reported, are debt service funds used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest? [GASB-S54: 34; GAAFR 42-43]

Explanation: It is necessary to use debt service funds when the use of a debt service fund is legally mandated or when financial resources are being accumulated for principal and interest maturing in future years.

7.7 If reported, are permanent funds used exclusively to report resources available to support the government's programs, but that are legally restricted so that only earnings (and not principal) may be used? [GASB-S54: 35; GAAFR 43]

Explanation: Permanent funds should *not* include private-purpose trust arrangements that require the government to use the principal or earnings for the benefit of individuals, private organizations, or other governments, and *not* for the reporting government's own programs.

7.8* Is each major governmental fund reported in a separate column? [GASB-S34: 75-6; GAAFR 183]

Explanation: The general fund must always be reported as a major fund. Other governmental funds must be reported as major funds if they meet certain criteria established by SGAS 34. The determination whether a particular fund must be reported as a major fund should be made each year. However, even funds that do *not* meet these criteria may be reported voluntarily as major funds.

7.9* Are all nonmajor governmental funds reported in a single column, regardless of fund type? [GASB-S34: 75; GAAFR 183]

7.10* Is a total column presented? [GASB-S34: 83 and 86; GAAFR 193]

7.10a* Is a summary reconciliation provided, if needed, that ties this total column and the related amount reported for governmental activities in the government-wide financial statements? [GASB-S34: 77, 85; GAAFR 193-194]

A reconciliation would be necessary, for example if one or more internal service funds are consolidated as part of *governmental activities*.

7.10b If aggregation in the summary reconciliation obscures the nature of the individual elements of a particular reconciling item, has the government provided a more detailed explanation in the notes to the financial statements? [GASB-S34: 77; Q&A 7.57.3; GAAFR 194]

Explanation: Potential obscurity requiring note disclosure occurs whenever 1) a single reconciling item is a combination of several similar balances or transactions or 2) a single reconciling item is a net adjustment.

**BALANCE SHEET – GOVERNMENTAL FUNDS
– MODIFIED CASH BASIS**

- | | | | |
|-------|-------|-------|--|
| _____ | _____ | _____ | 7.11* Has the government refrained from reporting assets other than 1) cash and cash equivalents, 2) interfund receivables and payables that arise from transactions and events involving cash or cash equivalents, and 3) assets that normally convert to cash or cash equivalents (e.g., certificates of deposit, marketable investments, and receivables resulting from cash loans) that arise from transactions and events involving cash or cash equivalents? [Award Program requirement] |
| _____ | _____ | _____ | 7.12* Has the government refrained from reporting liabilities other than 1) interfund payables that arise from transactions and events involving cash or cash equivalents and 2) liabilities for cash (or cash equivalents) held on behalf of others, held in escrow, or received in advance of being earned or meeting eligibility requirements? [Award Program requirement] |
| _____ | _____ | _____ | 7.13 Is a subtotal reported for “total liabilities”? [Award Program requirement] |
| _____ | _____ | _____ | 7.14* Is the difference between assets and liabilities labeled <i>fund balance</i> ? [GASB-S34: 83-4; GAAFR 189] |
| _____ | _____ | _____ | 7.14a* Are the separate categories used to report fund balance limited to the following: nonspendable, restricted, committed, assigned, unassigned? [GASB-S54: 5-17; GAAFR 189-193] |
| _____ | _____ | _____ | 7.14b If reported, does the nonspendable fund balance category only include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact? [GASB-S54: 6; GAAFR 189] |

Explanation: Typically items such as interfund receivables, receivables resulting from cash loans, and property acquired for resale are included in this category. However, if the use of the proceeds from the collection of interfund receivables, from the collection of receivables resulting from cash loans, or from the sale of property acquired for resale is restricted, committed, or assigned, then the related amount should be included in the appropriate fund balance classification based on the nature of the constraints placed on the use of the resources.

The corpus or principal of a permanent fund is reported in this category because it is legally or contractually required to be maintained intact.

- | | | | |
|-------|-------|-------|---|
| _____ | _____ | _____ | 7.14c If reported, does the restricted fund balance classification only include amounts where the constraints placed on the use of the resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation? [GASB-S54: 8; GAAFR 190] |
|-------|-------|-------|---|

Explanation: Enabling legislation authorizes the government to assess, levy, charge, or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that a government can be compelled by an external party to use resources created by enabling legislation only for the purposes specified by the legislation.

_____ 7.14d If reported, does the committed fund balance classification include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority? [GASB-S54: 10; GAAFR 190-191]

_____ 7.14e If reported, does the assigned fund balance classification only include amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed? [GASB-S54: 13; GAAFR 191-192]

Explanation: In these cases the government's intent should be expressed by (a) the governing body itself or (b) a body or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. Further, the authority for making an assignment is not required to be the government's highest level of decision-making authority. It is not possible to report stabilization arrangements in this category even if they meet the definition of an assignment. In other words, if such arrangements do not meet the criteria to be reported as either restricted or committed fund balance the amounts should be included in unrestricted fund balance. [GASB-S54: 13-4; GAAFR 192]

_____ 7.14e1 Does the government refrain from reporting assigned fund balance when either 1) total fund balance less its nonspendable, restricted, and committed components is zero or less or 2) the reporting of an assignment causes a deficit in unassigned fund balance? [GASB-S54: 15, 16; GAAFR 192]

Explanation: An appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget should be reported as an assignment provided that the assigned amount is no greater than the projected excess of expected expenditures over expected revenues and the assignment does not create or increase a deficit in unassigned fund balance? [GASB-S54: 16; GAAFR 192]

_____ 7.14f Does the government refrain from reporting a positive unassigned fund balance in any individual special revenue, debt service, capital projects, or permanent fund? [GASB-S54: 17; GAAFR 192]

Explanation: Special revenue, debt service, capital projects, and permanent funds may report a *negative* unassigned fund balance if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes. However, in such cases assigned fund balance should first be reduced up to the amount of the deficit. If a negative amount remains after this adjustment it should be reported in the unassigned classification [GASB-S54: 17; GAAFR 192]

Yes No N/A

_____ _____ _____ 7.14g Are stabilization amounts reported in the general fund as restricted or committed only if they meet the criteria for inclusion in that classification? [GASB-S54: 21; GAAFR 190]

Explanation: If stabilization arrangements do not meet the criteria to be reported as either restricted or committed they should be reported as *unassigned fund balance* in the general fund. Further, in order to qualify as a stabilization arrangement, the circumstances allowing for the use of the resources must be sufficiently specific and non-routine. [GASB-S54: 20-1; GAAFR 190]

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
– MODIFIED CASH BASIS**

_____ _____ _____ 7.15* Does the format of the statement present items in the following order: revenues; expenditures; excess (deficiency) of revenues over (under) expenditures; other financing sources and uses; special items; extraordinary items; and net change in fund balance? [GASB-S34: 86; GAAFR 194]

Explanation: these captions may be modified to reflect the modified cash basis.

_____ _____ _____ 7.16 Are revenues classified by source? [GASB-S34: 87; GAAFR 194]

_____ _____ _____ 7.16a Are revenue classifications sufficiently detailed to be meaningful? [Award Program requirement]

_____ _____ _____ 7.17 Are expenditures classified by character (i.e., current, intergovernmental, capital outlay, and debt service)? [NCGA-S1: 115; GAAFR 195]

_____ _____ _____ 7.17a Are current expenditures further categorized at least by function? [GASB-S34: 87; GAAFR page 194-195]

_____ _____ _____ 7.18* Has the government reported the receipt of debt proceeds (other than the proceeds of no-commitment special assessment debt) as an other financing source, rather than as revenue? [GASB-S34: 88]

_____ _____ _____ 7.19 Has the government reported the receipt of the proceeds of no-commitment special assessment debt as revenue, rather than as an other financing source? [GASB-S6: 19; GAAFR 158]

_____ _____ _____ 7.20* Has the government reported an interfund liability, rather than an other financing source, for the proceeds of long-term borrowings involving cash or cash equivalents within the primary government? [Award Program requirement]

Explanation: An other financing source should be reported in connection with the receipt of the proceeds of a long-term borrowing from a discretely presented component unit, but not in connection with a long-term borrowing from another fund of the primary government.

_____ _____ _____ 7.21* If the government has used a refunding transaction to defease or redeem debt involving the receipt of cash or cash equivalents related to the refunding debt, has it reported the proceeds of the refunding debt as an other financing source - issuance of refunding bonds? [GASB-S7: 8; GAAFR 473]

Yes No N/A

- _____ _____ _____ 7.21a* If the government has used a refunding transaction to defease debt involving the receipt of cash or cash equivalents related to the refunding debt, has it reported application of the cash or cash equivalent proceeds as an other financing use - payment to refunded bonds escrow agent? [GASB-S7: 8; GAAFR 473]
- _____ _____ _____ 7.21b* If the government has used a refunding transaction to redeem debt involving the receipt of cash or cash equivalents related to the refunding debt, has it reported application of the cash or cash equivalent proceeds as debt service expenditures? [GAAFR 474]

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND
AND MAJOR SPECIAL REVENUE FUNDS**

- _____ _____ _____ 7.22* Has the government presented budgetary comparisons for the general fund and annually (or biennially) budgeted major special revenue funds as basic governmental fund financial statements (unless there is a significant perspective difference)? [GASB-S34: 130, note 53; Award Program requirement]

Explanation: Budgets that exhibit significant perspective differences cannot be presented as basic financial statements. Instead, they should be reported separately within the financial section as supplementary information.

- _____ _____ _____ 7.22a Is the budgetary comparison titled a *statement* rather than a *schedule*? [GASB-S34: note 53; GAAFR 197]
- _____ _____ _____ 7.22b* Are separate budgetary comparisons included for the general fund and each annually budgeted major special revenue fund? [GASB-S34: 130; GAAFR 196]
- _____ _____ _____ 7.22c* Has the government refrained from presenting budgetary comparisons for debt service funds, capital projects funds, permanent funds, major special revenue funds without annual budgets, and nonmajor special revenue funds in the budgetary comparison statement ? [GAAFR 196-197]
- _____ _____ _____ 7.22d* Does the budgetary statement present the original budget? [GASB-S34: 130a; GAAFR 197-198]

Explanation: The *original budget* is “the first complete appropriated budget.” Amounts automatically carried over from one budget to the next – such as encumbrances that are subject to automatic re-appropriation – should be included as part of this original budget. Likewise, the original budget should be adjusted to reflect reserves, transfers, allocations, and supplemental appropriations that occur prior to the start of the fiscal year.

- _____ _____ _____ 7.22e* Does the budgetary statement present the final amended budget? [GASB-S34: 130b; GAAFR 197-198]

Explanation: The final amended budget should reflect the ultimate appropriation authority for the period, even if, as sometimes permitted by law, some or all of the amendments occur after the close of the fiscal period.

Yes No N/A

| | | | | |
|-------|-------|-------|--------|---|
| _____ | _____ | _____ | 7.22f* | Does the budgetary statement present actual data using the budgetary basis of accounting? [GASB-S34: 130; GAAFR 198] |
| _____ | _____ | _____ | 7.22g | Has the government presented one or more variance columns? [GASB-S34: 130; GAAFR page 198] |
| _____ | _____ | _____ | 7.22g1 | Has the government refrained from captioning variance columns as <i>favorable</i> or <i>unfavorable</i> ? [GAAFR 198] |

8. FINANCIAL SECTION – PROPRIETARY FUND FINANCIAL STATEMENTS

GENERAL CONSIDERATIONS

| | | | | |
|-------|-------|-------|------|--|
| _____ | _____ | _____ | 8.1* | Has the government included only proprietary fund types (i.e., enterprise funds and internal service funds)? [GAAFR 229] |
| _____ | _____ | _____ | 8.2* | Is each major enterprise fund reported in a separate column? [GASB-S34: 96 GAAFR 230-231] |
| _____ | _____ | _____ | 8.3* | Are all nonmajor enterprise funds aggregated and reported in a single column? [GASB-S34: 96; GAAFR 231] |
| _____ | _____ | _____ | 8.4* | Is a combined total column presented for all enterprise funds? [GASB-S34: 96; GAAFR 233] |
| _____ | _____ | _____ | 8.5* | Is a single column reported for the internal service fund type? [GASB-S34: 96; GAAFR 235] |
| _____ | _____ | _____ | 8.6 | Has the government refrained from using enterprise funds to report activities for which fees and charges are <i>not</i> a revenue source (with the exception of activities previously accounted for in accordance with SGAS 29)? [GASB-S34: 67 and 147; GAAFR 44-45] |
| | | | | <i>The use of an enterprise fund is mandatory in any of the following situations: 1) the activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity, 2) laws or regulations require that all costs of providing services, including capital costs, be recovered from fees and charges, or 3) fees and charges are designed to recover the costs of the activity, including capital costs. [GASB-S34: 67 and 147; GAAFR 44-45]</i> |
| _____ | _____ | _____ | 8.7 | Has the government refrained from using an internal service fund to report activities in which the government itself is not the predominant participant? [GASB-S34: 68; GAAFR 45] |

STATEMENT OF FUND NET POSITION/BALANCE SHEET – PROPRIETARY FUNDS – MODIFIED CASH BASIS

| | | | | |
|-------|-------|-------|------|--|
| _____ | _____ | _____ | 8.8* | Has the government refrained from reporting assets other than 1) cash and cash equivalents, 2) interfund receivables and payables that arise from transactions and events involving cash or cash equivalents, and 3) assets that normally convert to cash or cash equivalents (e.g., certificates of deposit, marketable investments, and receivables resulting from cash loans) that arise from |
|-------|-------|-------|------|--|

Yes No N/A

transactions and events involving cash or cash equivalents? [Award Program requirement]

8.9* Has the government refrained from reporting liabilities other than 1) interfund payables that arise from transactions and events involving cash or cash equivalents and 2) liabilities for cash (or cash equivalents) held on behalf of others, held in escrow, or received in advance of being earned or meeting eligibility requirements? [Award Program requirement]

8.10* Is the difference between assets and liabilities reported as *net position* or *equity*? [GASB-S34: 98, note 40; GAAFR 234-235]

8.10a Are only amounts with externally imposed restrictions (e.g., through debt covenants or by grantors) or restrictions imposed by law through constitutional provisions or enabling legislation included in the calculation of *restricted net position*? [GASB-S34: 34; Q&A 7.24.1; GAAFR 234]

If a government has both permanently and temporarily restricted net position, the amount reported for "restricted net position" should be divided between "nonexpendable" (i.e., permanently restricted) and "expendable" (i.e., temporarily restricted) amounts. [GASB-S34: 35; GAAFR 305]

8.10b* Has the government refrained from reporting either *contributed capital* or *retained earnings*? [GASB-S34: 98; GAAFR 234]

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION/EQUITY – PROPRIETARY FUNDS
– MODIFIED CASH BASIS**

8.11* Does the statement distinguish between operating and nonoperating revenues and expenses? [GASB-S34: 100; GAAFR 235]

8.11a Has the government refrained from including taxes and grants within the operating category? [GASB-S34: 102; GAAFR 235]

8.11b Is *operating income/loss* (or a similar caption consistent with a modified cash basis) reported as a separate line item? [GASB-S34: 100, GAAFR 235]

8.11c Are cash inflows and outflows related to the acquisition and disposition of capital assets and the issuance and retirement of long-term debt reported within the nonoperating category? [Award Program requirement]

8.12 Are revenue and expense classifications sufficiently detailed to be meaningful? [Award Program requirement]

8.13* Has the government reported each of the following items arising from transactions and events involving cash or cash equivalents separately from operating and nonoperating revenues and expenses, immediately before the total change in net position: capital contributions, additions to endowments, special items, extraordinary items, and transfers? [GASB-S34: 100-101]

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

– MODIFIED CASH BASIS

_____ 8.14* Does the statement categorize cash flows as follows: *cash flows from operating activities; cash flows from noncapital financing activities; cash flows from capital and related financing activities; and cash flows from investing activities?* [GASB-S9: 15; GAAFR 238]

_____ 8.14a* Are cash flows from operating activities reported by major classes of receipts and disbursements (i.e., the “direct” method)? [GASB-S9: 31; GAAFR 238]

Explanation: At a minimum, the amounts that should be reported separately are receipts from customers, receipts connected with interfund services, payments to suppliers of goods or services, payments to employees for services, and payments connected with interfund services.

_____ 8.14b Has the government refrained from including receipts and payments of interest as *cash flows from operating activities* (except in the case of program loans)? [GASB-S9: 58; GAAFR 238]

Explanation: Note the contrast with private-sector practice, where *cash flows from operating activities* always include cash flows related to interest revenue and interest expense.

_____ 8.14c Has the government refrained from combining *cash flows from noncapital financing activities* and *cash flows from capital and related financing activities* into a single category for *cash flows from financing activities*? [GASB-S9: 53-54; GAAFR 238]

Explanation: Note the contrast with private-sector practice, which provides for only a single category to be used for all types of *cash flows from financing activities*.

_____ 8.14d Has the government refrained from reporting disbursements for the acquisition of fund capital assets as *cash flows from investing activities*? [GASB-S9: 57a; GAAFR 239]

Explanation: Note the contrast with private-sector practice, where payments associated with capital acquisition and construction are reported as *cash flows from investing activities*.

_____ 8.15 Are cash receipts and cash payments generally reported gross rather than net? [GASB-S9: 12-14; GAAFR 237]

Explanation: In either of the following cases, cash flows may be reported at their *net* rather than their *gross* amounts:

- Items whose turnover is quick, whose amounts are large, and whose maturities are short (certain investments, loans receivable, and debt), provided the original maturity of the asset or liability is three months or less; or
- Governmental enterprises whose assets for the most part are highly liquid investments and that have little or no debt outstanding during the period.

Yes No N/A

_____ 8.16 Does the figure reported as *cash and cash equivalents* at the end of the period trace to a similar account or accounts on the statement of fund net position/balance sheet – modified cash basis? [GASB-S9: 8; GAAFR 241]

Explanation: One of four approaches may be taken to accomplish this objective when *cash and cash equivalents* are included as part of restricted assets:

- Reporting the portion of restricted assets that represents cash and cash equivalents as a separate line item on the statement of position;
- Reporting the amount of cash and cash equivalents included as part of restricted assets parenthetically on the statement of position;
- Reporting the amount of cash and cash equivalents included as part of restricted assets parenthetically on the statement of cash flows; or
- Providing a reconciliation on the face of the statement of cash flows.

_____ 8.17 Does the government provide a reconciliation of *operating income/loss* (or a similar caption consistent with a modified cash basis) and *cash flows from operating activities*? [GASB-S9: 7; GAAFR 241]

9. FINANCIAL SECTION – FIDUCIARY FUND FINANCIAL STATEMENTS

GENERAL CONSIDERATIONS

_____ 9.1* Has the government included only fiduciary fund types (i.e., private-purpose trust funds, pension (and other employee benefit) trust funds, investment trust funds, and agency funds)? [GAAFR 261]

_____ 9.2* Are all funds of a given fund type reported in a single column? [GASB-S34: 106; GAAFR 261]

Explanation: Only a single column may be presented for each fiduciary fund type. If the fiduciary fund financial statements include data from component units, the data from those units must be included within these fund-type columns.

_____ 9.3* Has the government refrained from using a fiduciary fund to report resources that are available to support the government’s programs? [GASB-S34: 69; GAAFR 46]

Explanation: Fiduciary funds are characterized by the *absence of public benefit*.

_____ 9.4* If the government holds resources in trust for the members and beneficiaries of defined benefit pension plans, defined contribution pension plans, other postemployment benefit plans, deferred compensation plans, or other employee benefit plans, does it use a pension (and other employee benefit) trust fund for that purpose? [GASB-S34: 70; GAAFR 46-47]

If the government sponsors an investment pool in which outside parties participate or maintains individual investment accounts for outside parties, it should report this activity in an investment trust fund. [GASB-S34: 71; GASB-S31: 20; GAAFR 47]

Yes No N/A

_____ 9.5* If the government reports an investment trust fund, has it refrained from including any of its own resources in that fund? [GASB-S31: 14, 18; GAAFR 47]

**STATEMENT OF FIDUCIARY NET POSITION
– MODIFIED CASH BASIS**

_____ 9.6* Has the government refrained from reporting assets other than 1) cash and cash equivalents, 2) interfund receivables and payables that arise from transactions and events involving cash or cash equivalents, and 3) assets that normally convert to cash or cash equivalents (e.g., certificates of deposit, marketable investments, and receivables resulting from cash loans) that arise from transactions and events involving cash or cash equivalents? [Award Program requirement]

_____ 9.7* Has the government refrained from reporting liabilities other than 1) interfund payables that arise from transactions and events involving cash or cash equivalents and 2) liabilities for cash (or cash equivalents) held on behalf of others, held in escrow, or received in advance of being earned or meeting eligibility requirements? [Award Program requirement]

_____ 9.8 Are assets reported by major category? [GAAFR 262]

_____ 9.8a For pension (and other employee benefit) trust funds, are the principal subdivisions of receivables and investments reported? [GASB-S25: 21; GASB-S43: 19; GAAFR 262]

_____ 9.9 Is the difference between assets and liabilities reported as *net position*? [GASB-S34: 108; GAAFR 263]

_____ 9.9a If a pension plan is reported, is a line item reported for *assets held in trust for pension benefits*? [GASB-S25: 27; GAAFR 263]

_____ 9.9b If an OPEB plan is reported, are appropriate amounts identified as *assets held in trust for OPEB benefits*? [GASB-S43: 263]

_____ 9.9c If the government uses an investment trust fund to account for an external investment pool that it sponsors, is a line item reported for *assets held in trust for pool participants*? [GASB-S31: 18; GAAFR 263]

_____ 9.10 Do assets equal liabilities in agency funds? [GASB-S34; 110; GAAFR 263]

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
– MODIFIED CASH BASIS**

_____ 9.11 Is the statement segregated into two sections: *additions* and *deductions*? [GASB-S34: 109; GASB-S43: 26; GAAFR 264]

Explanation: The categories *additions* and *deductions* are significantly broader than *revenues* and *expenses*. While some *additions* may properly be categorized as *revenues* and some *deductions* as *expenses*, others may not. Accordingly, financial statement preparers are advised to avoid the use of the terms *revenues*

and *expenses* as much as possible in conjunction with the statement of changes in fiduciary net position.

- | | | | | |
|-------|-------|-------|-------|--|
| _____ | _____ | _____ | 9.12 | For pension (and other employee benefit) trust funds, are additions classified into the following four categories, as appropriate: employer contributions, plan member contributions, other contributions, and net investment income? [GASB-S25: 29; GASB-S43: 27; GASB-TB2006-1; GAAFR 264] |
| _____ | _____ | _____ | 9.12a | Is investment-related expense reported as a separate line item that reduces investment income (instead of as a deduction)? [GASB-S25: 29d; GASB-S43:27d; GAAFR 264] |
| _____ | _____ | _____ | 9.13 | For pension (and other employee benefit) trust funds, does the deductions section include separate amounts for 1) benefits and refunds paid to plan members and beneficiaries, and 2) total administrative expenses? [GASB-S25: 30; GASB-S43: 28] |
| _____ | _____ | _____ | 9.14 | Has the government refrained from including agency funds? [GASB-S34: 110; GAAFR 263] |

10. FINANCIAL SECTION – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (SSAP)

- | | | | | |
|-------|-------|-------|-------|--|
| _____ | _____ | _____ | 10.1* | Does the government present a SSAP either as the first of the notes to the financial statements or as a separate item immediately preceding the notes? [NCGA-S1: 158; GAAFR 323] |
| _____ | _____ | _____ | 10.2* | Does the SSAP adequately describe the modified cash basis framework applied and how it differs from GAAP [AU-C Section 800, par. 15] |

Explanation: The differences between the modified cash basis framework and GAAP should include all material differences. Only a brief description of the differences is necessary and the differences need not be quantified. [AU-C Section 800, par. A18]

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|-------|-------|-------|-------|--|
| _____ | _____ | _____ | 10.3 | If the government reports any fiduciary funds or fiduciary-type component units, does the SSAP disclose the omission of these funds and component units from the government-wide financial statements? [GASB-S34: 115a; GAAFR 324] |
| _____ | _____ | _____ | 10.4 | Does the SSAP discuss the financial reporting entity? [GASB-S14: 20-37 and 61; GASB-S61: 11a GAAFR 324-325]? If so, does that discussion |
| _____ | _____ | _____ | 10.4a | Describe each unit and its relationship to the primary government? |
| _____ | _____ | _____ | 10.4b | Identify the <i>specific</i> criteria used as a basis for incorporating each unit? |
| _____ | _____ | _____ | 10.4c | Explain whether the data for a given unit were blended or discretely presented? [Q&A 4.39.5] |
| _____ | _____ | _____ | 10.4d | Indicate how to obtain each component unit’s separately issued financial statements? |
| _____ | _____ | _____ | 10.5 | If the government is the component unit of another government does the SSAP identify the primary government and explain its relationship to it? [GASB-A14: 65; GAAFR 235] |

Yes No N/A

_____ _____ _____ 10.6 Does the SSAP explain how data from the fund financial statements are incorporated into either *governmental activities* or *business-type activities*? [GASB *Codification*, 2300.901, IC1, GAAFR 235]

_____ _____ _____ 10.7 Does the SSAP identify major discretely presented component units and indicate where information on individual units can be found within the basic financial statements? [GASB *Codification*, 2300.901, IC1, GAAFR 235]

_____ _____ _____ 10.8 Does the SSAP explain which elements of internal activity have been eliminated from the government-wide statement of activities and which have been retained? [GASB S-34: 115c; Q&A 7.84.2; GAAFR 326-327]

Explanation: The disclosure concerning the elimination of internal activity should be specific rather than generic.

_____ _____ _____ 10.9 If the financial reporting entity includes component units with differing fiscal year ends, does the SSAP identify the difference in fiscal year ends and describe the effect of the difference (if any) on the amounts reported for the period? [GASB S-14: 60; GAAFR 327]

Explanation: The fact that different fiscal years are used should be disclosed even when there is no effect on the amounts reported for the period.

_____ _____ _____ 10.10 Does the SSAP identify each of the fund types used in the fund financial statements? [Award Program requirement]

Explanation: A description of the use of each of the fund types is appropriate.

_____ _____ _____ 10.11 Does the SSAP indicate the fund type of each of the major funds? [Award Program requirement]

_____ _____ _____ 10.12 Does the SSAP provide at least a generic description of the activities of the general fund? [GASB S-38: 6; GAAFR 328]

_____ _____ _____ 10.13 Does the SSAP provide a specific description of the activities of each major fund other than the general fund? [GASB S-38: 6; GAAFR 328]

Explanation: A description is not necessary if the title of the column itself already provides the necessary information.

_____ _____ _____ 10.14 Does the SSAP provide a specific description of the activities of each fund-type column? [GASB S-38: 6; GAAFR 328]

_____ _____ _____ 10.15 Does the SSAP disclose the elimination of internal balances and transfers arising from transactions or events involving cash or cash equivalents between governmental funds or between enterprise funds if a separate eliminations column is not presented in the fund financial statements? [GASB *Codification* 2300.901 ID3; GAAFR 329]

Explanation: This disclosure normally is necessary because relatively few governments present an eliminations column in the fund financial statements.

Yes No N/A

_____ _____ _____ 10.16 If the budgetary basis applied in the budgetary comparison statement differs from the modified cash basis applied in the other basic financial statements, does the SSAP describe the budgetary basis and explain how it differs from a modified cash basis? [GASB *Codification*, 2300.901, footnote 8; GAAFR 329-330]

Explanation: The purpose of this disclosure is to explain why the actual amounts in the budgetary comparison statement do not trace to the amounts reported in the governmental funds' statement of revenues, expenditures, and changes in fund balances – modified cash basis

_____ _____ _____ 10.17 Does the SSAP disclose any excess of expenditures over appropriations in the general fund or individual major special revenue funds for which an annual (or biennial) budget is legally adopted (if not otherwise visible)? [GASB *Codification*, 2300.901, footnote 8; GAAFR 330]

Explanation: This requirement does not extend, as such, to governmental funds other than the general fund and major special revenue funds.

_____ _____ _____ 10.18 If the financial statements report *cash equivalents* does the SSAP define that term? [GASB S-9; 11; GAAFR 331]

Explanation: This disclosure is required even if cash equivalents are defined using the definition provided in GASB Statement No. 9 without modification.

_____ _____ _____ 10.19 Does the SSAP explain that assets other than cash are reported at the amount of cash and cash equivalents associated with the transaction or event that resulted in their acquisition? [Award Program requirement, GAAFR 331]

The SSAP should describe any unusual or innovative accounting treatments [GASB S-62:93c; GAAFR 335]

Explanation: The objective is to provide what an already reasonably knowledgeable user of financial statements would consider essential to know.

_____ _____ _____ 10.20 Does the SSAP describe the flow assumption used for *net position - restricted* v. *net position - unrestricted*? [GASB S-34: 115h; GAAFR 335]

_____ _____ _____ 10.21 Does the SSAP describe the flow assumption for *restricted fund balance* v. the unrestricted portion of fund balance? [GASB S-54: 23c; GAAFR 335]

_____ _____ _____ 10.22 Does the SSAP describe the flow assumption within the unrestricted portion of fund balance among *committed fund balance*, *assigned fund balance*, and *unassigned fund balance*? [GASB S-54: 23c; GAAFR 335]

Explanation: If the government has not adopted a flow assumption for the components of unrestricted fund balance, it is presumed that committed fund balance is spent first, then assigned fund balance, and finally unassigned fund balance, and that fact needs to be disclosed [GASB S-54: 18; GAAFR 335]

_____ _____ _____ 10.23 If the government reports *committed fund balance*, does the SSAP disclose the government's highest level of decision-making authority? [GASB S-54: 23; GAAFR 336]

Yes No N/A

- | | | | | |
|-------|-------|-------|-------|---|
| _____ | _____ | _____ | 10.24 | If the government reports <i>committed fund balance</i> , does the SSAP disclose the formal action required to commit fund balance? [GASB S-54: 23; GAAFR 336] |
| _____ | _____ | _____ | 10.25 | If the government reports <i>assigned fund balance</i> , does the SSAP disclose the body or official authorized to assign amounts to a specific purpose? [GASB S-54: 23; GAAFR 336] |
| _____ | _____ | _____ | 10.26 | If the government reports assigned fund balance, does the SSAP disclose the policy used to authorize the assignment of resources? [GASB S-54: 23; GAAFR 336] |
| _____ | _____ | _____ | 10.27 | Does the SSAP describe the specific revenues classified as <i>program revenues</i> ? [GASB S-34:115f; GAAFR 336] |

Explanation: It may be helpful to explain the dedicated taxes are *not* included in *program revenues*

If indirect costs are reported as functional expense as the result of an administrative cost recovery element built into a charge for centralized services, the SSAP should mention that fact.[GASB S-34:115f; GAAFR 336]

If indirect costs have been allocated in a separate column, the SSAP should mention how those costs were allocated to functions or programs. .[GASB S-34:115f; GAAFR 336]

- | | | | | |
|-------|-------|-------|-------|--|
| _____ | _____ | _____ | 10.28 | Does the SSAP indicate the lien dates, the levy dates, the due dates, and the collection dates for property taxes? [NCGA I-3: 11; GAAFR 336-337] |
|-------|-------|-------|-------|--|

Explanation: The *lien date* (sometimes described as the *assessment date*) is the date that an enforceable legal claim is established.

- | | | | | |
|-------|-------|-------|-------|--|
| _____ | _____ | _____ | 10.29 | Does the SSAP provide the definition used to distinguish <i>operating revenues</i> and <i>operating expenses</i> from <i>nonoperating revenues</i> and <i>nonoperating expenses</i> (or similar captions appropriate for the modified cash basis) in the proprietary fund statement of revenues, expenses, and changes in net position - modified cash basis? [GASB S-34: 115g; GAAFR 337] |
|-------|-------|-------|-------|--|

11. FINANCIAL SECTION – NOTE DISCLOSURE (OTHER THAN THE SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES)

- | | | | | |
|-------|-------|-------|-------|--|
| _____ | _____ | _____ | 11.1 | If the basis of budgeting differs from the modified cash basis used for reporting, do the notes provide a reconciliation (if not presented on the face of the budgetary comparison statement)? [NCGA-I10: 25; GAAFR 198] |
| _____ | _____ | _____ | 11.1a | Is the reconciliation presented in sufficient detail? [NCGA-I10: 25; GAAFR 198, note 67] |

Explanation: *At a minimum*, the reconciliation should distinguish 1) *basis* differences, 2) *timing* differences, 3) *perspective* differences, and 4) *entity* differences. Thus, for example, if a fund had reconciling items in each of these four categories, the reconciliation would need to present *at least* four reconciling amounts.

Yes No N/A

- | | | | | |
|-------|-------|-------|-------|---|
| _____ | _____ | _____ | 11.2 | Do the notes disclose any material violations of the budget? [GASB-S38: 44; GASB-S34: 254; GAAFR 347] |
| _____ | _____ | _____ | 11.3 | Do the notes disclose the legal and contractual provisions governing cash deposits with financial institutions? [GASB-S3: 63; GAAFR 350] |
| _____ | _____ | _____ | 11.4 | Do the notes disclose any material violations of these provisions? [GASB-S3: 66; GAAFR 350] |
| _____ | _____ | _____ | 11.5 | If the government is exposed to custodial credit risk for its deposits at year end because they are uninsured and 1) uncollateralized, 2) collateralized with securities held by the pledging financial institution, or 3) collateralized with securities held by the pledging financial institution's trust department or agent, but not in the depositor-government's name, do the notes disclose the amount of the bank balances exposed to custodial credit risk, indicate that they are uninsured, and explain how they are exposed to custodial credit risk? [GASB-S40: 8; GAAFR 350] |
| _____ | _____ | _____ | 11.6 | Do the notes disclose the government's policy in regard to custodial credit risk with deposits or indicate that it does not have such a policy? [GASB-S40: 6; GAAFR 350] |
| _____ | _____ | _____ | 11.7 | If the government's deposits are subject to foreign currency risk, do the notes disclose the government's policy in regard to foreign currency risk for deposits or indicate that it does not have such a policy? [GASB-S40: 6] |
| | | | | <i>Losses on deposits and subsequent recoveries should be disclosed if not visible in the financial statements themselves. [GASB-S3: 75; GAAFR 350]</i> |
| _____ | _____ | _____ | 11.8 | If the government participates in an external investment pool that is not registered with the Securities and Exchange Commission, do the notes disclose the nature of any regulatory oversight of the pool? [GASB-S31: 15c; GAAFR 352] |
| _____ | _____ | _____ | 11.9 | If participation in an external investment pool is involuntary, do the notes disclose that fact? |
| _____ | _____ | _____ | 11.10 | Do the notes disclose the legal and contractual provisions governing investments? [GASB-S3: 65-66; GAAFR 353] |
| _____ | _____ | _____ | 11.11 | Do the notes disclose any material violations of these provisions? [GASB-S3: 66; GAAFR 353] |
| _____ | _____ | _____ | 11.12 | If the government is exposed to custodial credit risk for its investments evidenced by securities at year end because they are neither insured nor registered and they are held by either 1) the counterparty or 2) the counterparty's trust department or agent but not in the government's name, do the notes disclose the amount of investments exposed to custodial credit risk, indicate that they are neither insured nor registered, and explain how they are exposed to custodial credit risk? [GASB-S40: 8-9; GAAFR 355] |
| _____ | _____ | _____ | 11.13 | If a government's investments are exposed to custodial credit risk, credit risk, concentration risk, interest rate risk, or foreign currency risk, do the notes disclose the government's policy for each such risk or indicate that it does not have a policy for a given risk? [GASB-S40: 6; GAAFR 353] |

Yes No N/A

_____ _____ _____ 11.14 Do the notes disclose the credit ratings (or explain that credit ratings are not available) for investments in debt securities arising from transactions or events involving cash or cash equivalents (other than debt issued by or explicitly guaranteed by the U.S. government), as well as for positions in external investment pools, money market funds, bond mutual funds, and other pooled investments of fixed-income securities? [GASB-S40: 7; GAAFR 353]

_____ _____ _____ 11.15 Do the notes use one of five approved methods (i.e., segmented time distribution, specific identification, weighted average maturity, duration, or simulation model) to disclose interest rate risk for positions in fixed-rate debt securities? [GASB-S40: 14-15; GASB-S 59: 6; GAAFR 359-360]

Explanation: The method selected for disclosing interest rate risk should be the one most consistent with how the government manages that risk. For governments in a pooling arrangement for investment purposes, the disclosure of interest rate risk applies only to positions in a *debt* investment pool, such as a *bond* mutual fund or external *bond* investment pool, that does *not* meet the requirements to be reported as a 2a7-like pool.

_____ _____ _____ 11.15a Do the notes disclose any assumptions used in the disclosure of interest rate risk (e.g., timing of cash flows, interest rate changes, or other factors that affect interest rate risk)? [GASB-S40: 15]

The notes should disclose the terms of any debt investment that cause its fair value to be highly sensitive to interest rate changes (e.g., coupon multipliers, benchmark indices, reset dates, embedded options). [GASB-S40: 16; GAAFR 360]

_____ _____ _____ 11.16 Do the notes disclose the value in U.S. dollars of any investments held at the end of the year denominated in a foreign currency? [GASB-S40: 17; GAAFR 360]

Explanation: Separate disclosure is required for each separate currency denomination as well as for each different type of investment within a currency denomination.

_____ _____ _____ 11.17 Do the notes disclose concentrations of 5 percent or more of net investments in securities of a single organization (other than those issued or explicitly guaranteed by the U.S. government, investments in mutual funds, external investment pools, and other pooled investments)? [GASB-S40: 11; GAAFR 358]

_____ _____ _____ 11.18 Do the notes disclose the fair value at the end of the period of investments that arise from transactions and events involving cash or cash equivalents whose fair value is materially different from their carrying value on a modified cash basis? [Award Program requirement]

_____ _____ _____ 11.19 If the government is party to a derivative as of the close of the fiscal period, do the notes disclose that fact and the general risks associated with such derivatives? [Award Program requirement]

_____ _____ _____ 11.20 Do the notes disclose any contingent liabilities? [GASB-S10: 58; GAAFR 388]

_____ _____ _____ 11.21 Do the notes disclose any guarantees of indebtedness, even if the likelihood of loss is considered to be remote? [GASB-S 62: 109; GAAFR 388]

Yes No N/A

- | | | | | |
|---|-------|-------|---------|--|
| _____ | _____ | _____ | 11.22 | Do the notes disclose any material subsequent events? [GASB-S56: 8-10; NCGA-I6: 4d; GAAFR 389] |
| _____ | _____ | _____ | 11.23 | Do the notes disclose any material violations of finance-related legal and contractual provisions?[NCGA-I6: 4g; GAAFR 347] |
| _____ | _____ | _____ | 11.23a | If a violation is significant, do the notes identify actions that the government has taken to address the violation? [GASB-S38: 9; GAAFR 347] |
| _____ | _____ | _____ | 11.24 | Do the notes disclose a general description of outstanding long-term debt obligations that normally would be reported as liabilities in GAAP financial statements, including obligations related to outstanding bonds and notes? [Award Program Requirement] |
| _____ | _____ | _____ | 11.25 | Do the notes disclose debt service to maturity for all outstanding long-term debt obligations? [NCGA-I6: 4h; GASB-S38: 10; GAAFR 376] |
| _____ | _____ | _____ | 11.25a | Does the disclosure present debt service payments separately for each of the next five years? [GASB-S38: 10a; GAAFR 376] |
| _____ | _____ | _____ | 11.25b | Are the principal and interest components of debt service presented separately? [GASB-S 38: 10a; GAAFR 376] |
| <div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 0 auto;"><p>Explanation: In the case of variable-rate debt, the interest rate in effect at the financial statement date should be used to calculate the interest component of debt service payments.</p></div> | | | | |
| _____ | _____ | _____ | 11.25c | At a minimum, are debt service payments for subsequent years reported in five-year increments? [GASB-S38: 10a; GAAFR 376] |
| _____ | _____ | _____ | 11.25d | If the government has variable rate debt outstanding, do the notes disclose the terms by which interest rates change? [GASB-S38: 10b; GAAFR 376] |
| _____ | _____ | _____ | 11.26 | If the government is the lessee in a capital lease arrangement that normally would be reported as a liability in GAAP financial statements, do the notes disclose that fact? [NCGA-S5: 27; GAAFR 373-374] If so: |
| _____ | _____ | _____ | 11.26a | Do the notes describe the lease arrangements? [NCGA-S5: 27; GAAFR 374] |
| _____ | _____ | _____ | 11.26b | Do the notes disclose the minimum future lease payments in total and for each of the next five years? [GASB-S38: 11; GAAFR 374] |
| _____ | _____ | _____ | 11.26b1 | At a minimum, are minimum future lease payments for subsequent years reported in five-year increments? [GASB-S38: 11] |
| _____ | _____ | _____ | 11.27 | If the government is the lessee in an operating lease, do the notes describe the general leasing arrangements and current-year rental costs, as well as any contingent rentals? [GASB-S 62: 223 c-d; GAAFR 374] |
| _____ | _____ | _____ | 11.28 | If the government is the lessee in a noncancellable operating lease of more than one year, do the notes disclose the future minimum rental payments in total and for each of the next five years and minimum future lease payments for |

Yes No N/A

subsequent years in five-year increments? GASB-S38: 11; GASB-S 62: 223b; GAAFR 374]

_____ 11.29 Do the notes disclose other significant commitments (e.g., construction contracts and encumbrances)? [NCGA-I6: 4j; GASB-S54: 24; GAAFR 226]

Explanation: The disclosure of encumbrances should be made individually for each major fund and in the aggregate for nonmajor funds. [GASB S-54: 24; GAAFR 372]

_____ 11.30 Do the notes mention the government's obligations, if any, in regard to items that normally would be accrued as liabilities in GAAP financial statements (e.g., claims and judgments, compensated absences, pension benefits and OPEB, landfill closure and postclosure care costs, pollution remediation obligations)? [Award Program requirement]

The amount of the obligations does *not* need to be quantified, but may be presented if it already is available for other purposes.

_____ 11.31 Do the notes disclose changes in outstanding long-term debt obligation balances during the period? [GASB-S34: 119; GAAFR 375]

_____ 11.31a Do the notes report these changes gross rather than net? [GASB-S34: 119b; GAAFR 375]

_____ 11.32 If the government incurred an obligation for termination benefits (for either voluntary or involuntary terminations) during the current period, do the notes disclose that fact? [GASB-S47: 372]

_____ 11.33 If an obligating event occurred related to pollution remediation, do the notes disclose that fact [GASB S-49: 25; GAAFR 379-380]?

Explanation: *obligating events* for pollution remediation are as follows:

- The government is compelled to take remediation action because pollution creates an imminent endangerment to public health or welfare or the environment, leaving the government little or no discretion to avoid remediation action;
- The government is in violation of a pollution prevention-related permit or license;
- The government is named, or evidence indicates that it will be named, by a regulator as a responsible party or potentially responsible party for remediation, or as a government responsible for sharing costs;
- The government is named, or evidence indicates that it will be named, in a lawsuit to compel the government to participate in remediation (lawsuits that are substantially the same as those previously deemed as having no merit within the relevant jurisdiction are excluded);
- The government commences, or legally obligates itself to commence, cleanup activities, or monitoring or operation and maintenance of the remediation effort.

_____ 11.34 If the government participates in a defined benefit plan, do the notes provide information on the arrangement? [GASB-S27: 20-1; GASB-S45: 24-5; GASB-S50: 7-8; GAAFR 368-372] If so:

Yes No N/A

11.34a

Do the notes describe the benefit plan? [GASB-S27: 20a1; GASB-S45: 24a1; GAAFR 369]

Explanation: The different types of defined benefit plans are as follows: single-employer plans, agent multiple-employer plans, and cost-sharing multiple-employer plans.

11.34b

Do the notes briefly describe the types of benefits offered and the authority for establishing and amending benefits? [GASB-S27: 20a2; GASB-S45: 24a2; GAAFR 369]

11.34c

Do the notes disclose whether the plan issues a separate report or is included in the report of a public employees' retirement system or another entity? [GASB-S27: 20a3; GASB-S45: 24a3; GAAFR 369]

11.34c1

If a separate report is issued for a plan, do the notes disclose how to obtain a copy of the report? [GASB-S27: 20a3; GASB-S45: 24a3; GAAFR 369]

11.34d

Do the notes describe the authority for establishing and amending the funding policy? [GASB-S27: 20b1; GASB-S45: 24b1; GAAFR 369]

If the plan is contributory, the notes should disclose the required contribution rate(s) of active members. [GASB-S27: 20b2; GAAFR 369]

11.34e

Do the notes indicate the employer's contribution rate(s)? [GASB-S27: 20b3; GASB-S45: 24b3; GAAFR 369]

If an employer has an actuarially determined or legally/ contractually imposed contribution rate, the government should disclose that rate.

Explanation: A government that provides prescription drug coverage to retirees (i.e., OPEB benefits) and is able to obtain payments, either directly or indirectly, from the federal government under Medicare Part D should report this activity on a gross basis. Accordingly, the contribution rates or the dollar amount of required contributions of the employer government are not reduced.

11.34e1

Are employer contribution rates expressed either in dollars or as a percentage of current-year payroll? [GASB-S27: 20b3; GASB-S45: 24b3; GAAFR 369]

Explanation: See explanation following question 11.1e.

The notes should disclosure any legal or contractual maximum contribution rates. [GASB-S45: 24b; 30c; GASB-S50: 7a; GAAFR 369]

11.34f

If the government participates in a cost-sharing, multiple-employer defined benefit plan, do the notes provide information on both required and actual contributions? [GASB-S27: 20b3; GASB-S45: 24b3; GASB-TB 04-2: 2-6; GAAFR 369]

Yes No N/A

Explanation: This disclosure for required and actual contributions should provide information for the contractually required contributions due during the period. Also, the government should not reduce the contractually required contribution for an OPEB plan by payments from the federal government under Medicare Part D.

| | | | | |
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| _____ | _____ | _____ | 11.34f1 | Is the current year's required contribution stated in dollars? [GASB-S27: 20b3; GASB-S45: 24b3; GAAFR 221, note 369] |
| | | | | Explanation: The government should not reduce the contractually required contribution for an OPEB plan by payments from the federal government under Medicare Part D. |
| _____ | _____ | _____ | 11.34f2 | Are actual cash contributions presented as a percentage of required contributions? [GASB-S27: 20b3; GASB-S45: 24b3; GAAFR 369] |
| _____ | _____ | _____ | 11.34f3 | Is all information presented both for the current year and each of the preceding two years? [GASB-S27: 20b3; GASB-S45: 24b3; GAAFR 369] |
| _____ | _____ | _____ | 11.34g | In the case of a cost-sharing multiple-employer plan, does the disclosure state how the required contribution rate is determined (e.g., by statute, contract, or on an actuarial basis) or state that the plan is financed on a pay-as-you-go basis? [GASB-S45: 24b; GASB-S50: 7b; GAAFR 369] |
| _____ | _____ | _____ | 11.35 | If the government participates in a defined contribution benefit plan, do the notes provide information on the arrangement? [GASB-S27: 27; GASB-S45: 29; GAAFR 371] If so: |
| _____ | _____ | _____ | 11.35a | Do the notes disclose the name of the benefit plan? [GASB-S27: 27a; GASB-S45: 31a; GAAFR 371] |
| _____ | _____ | _____ | 11.35b | Do the notes disclose the entity that administers the benefit plan? [GASB-S27: 27a; GASB-S45: 31a; GAAFR 371] |
| _____ | _____ | _____ | 11.35c | Do the notes identify the arrangement as a defined contribution benefit plan? [GASB-S27: 27a; GASB-S45: 31a; GAAFR 371] |
| _____ | _____ | _____ | 11.35d | Do the notes briefly describe the plan's provisions? [GASB-S27: 27b; GASB-S45: 31b; GAAFR 371] |
| _____ | _____ | _____ | 11.35e | Do the notes disclose the authority for establishing or amending the plan's provisions? [GASB-S27: 27b; GASB-S45: 31b; GAAFR 371] |
| _____ | _____ | _____ | 11.35f | Do the notes disclose contribution amounts (either in dollars or as a percentage of salary) for the employer, participating employees, and other contributors? [GASB-S27: 27c; GASB-S45: 31c; GAAFR 371] |
| _____ | _____ | _____ | 11.35g | Do the notes disclose the authority for establishing or amending contribution requirements? [GASB-S27: 27c; GASB-S45: 31c; GAAFR 371] |

Yes No N/A

| <u>Yes</u> | <u>No</u> | <u>N/A</u> | | |
|--|-----------|------------|--------|---|
| _____ | _____ | _____ | 11.35h | Do the notes disclose contributions actually made by the employer and plan members? [GASB-S27: 27d; GASB-S45: 31d; GAAFR 371] |
| _____ | _____ | _____ | 11.36 | If the government participates in an insured benefit plan, do the notes 1) describe the plan, 2) state that the responsibility for making payments to employees has effectively been transferred to the insurer, 3) indicate whether the employer has guaranteed benefits in the event of default by the insurer, 4) disclose the amount of current-year benefit cost, and 5) disclose contributions or premiums actually paid? [GASB-S27: 23; GASB-S45: 28; GAAFR 371-372] |
| _____ | _____ | _____ | 11.37 | If the government is legally responsible for paying benefits on behalf of the employees of another entity, do the notes provide the same information required for a benefit plan provided to the government's own employees? [GASB-S27: 28; GASB-S45: 32; GAAFR 407] |
| _____ | _____ | _____ | 11.38 | Do the notes disclose any material deficit in an individual fund that is not visible on the face of the basic financial statements? [NCGA-S1: 158; GAAFR 348] |
| _____ | _____ | _____ | 11.39 | Do the notes provide information on interfund balances and transfers arising from transactions or events involving cash or cash equivalents? [GASB-S38: 14-5; GAAFR 381] If so: |
| <p>Explanation: interfund balances and transfers should be reported only if they result from transactions or events involving cash or cash equivalents. Accordingly, no amounts should be reported for accruals resulting from interfund services provided or used or similar items.</p> | | | | |
| _____ | _____ | _____ | 11.39a | Do the notes disclose the 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? [GASB-S38: 14a; GAAFR 381] |
| _____ | _____ | _____ | 11.39b | Do the notes disclose the purpose of interfund balances? [GASB-S38: 14b; GAAFR 381] |
| _____ | _____ | _____ | 11.39c | Do the notes disclose interfund balances that are not expected to be repaid within one year from the date of the financial statements? [GASB-S38: 14c; GAAFR 381] |
| _____ | _____ | _____ | 11.39d | Do the notes disclose 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? [GASB-S38: 15a; GAAFR 384] |
| _____ | _____ | _____ | 11.39e | Do the notes disclose the principal purposes of interfund transfers? [GASB-S38: 15b; GAAFR 384] |
| _____ | _____ | _____ | 11.39f | Do the notes should disclose the intended purpose and amount of significant transfers that do not occur on a routine basis or are inconsistent with the activities of the fund making the transfer? [GASB-S38: 15c; GAAFR 384] |
| _____ | _____ | _____ | 11.40 | Do the notes disclose any significant transactions between the primary government and its discretely presented component units? [GASB S-34: 128; GAAFR 382] |

Yes No N/A

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| _____ | _____ | _____ | 11.41 | If the government has been the recipient of an endowment as the result of a transaction or event involving cash or cash equivalents, do the notes describe the endowment? [GASB-S34: 121; GAAFR 383] If so: |
| _____ | _____ | _____ | 11.41a | Do the notes disclose the policy for authorizing and spending investment income? [GASB-S34: 121c; GAAFR 383] |
| _____ | _____ | _____ | 11.42 | Do the notes discuss the government’s risk financing activities? [GASB-S10: 77; GAAFR 372] If so: |
| _____ | _____ | _____ | 11.42a | Do the notes describe the types of risk faced by the government? [GASB-S10: 77a; GAAFR 372] |
| _____ | _____ | _____ | 11.42a1 | Do the notes describe how each type of risk is being handled? [GASB-S10: 77a; GAAFR 372] |
| _____ | _____ | _____ | 11.42b | If there has been any significant reduction in insurance coverage from the previous year, do the notes disclose this reduction by risk category? [GASB-S10: 77b; GAAFR 372] |
| _____ | _____ | _____ | 11.42c | Do the notes indicate <i>whether</i> the amount of settlements exceeded insurance coverage in each of the past three years? [GASB-S10: 77b; GAAFR 372] |
| _____ | _____ | _____ | 11.42d | If the government participates in a risk pool, do the notes describe the arrangement? [GASB-S10: 77c; GAAFR 373] |
| _____ | _____ | _____ | 11.42d1 | Do the notes specifically address the rights and responsibilities of both the government and the pool? [GASB-S10: 77c; GAAFR 373] |
| _____ | _____ | _____ | 11.42e | If the government retains some risk of loss, do the notes mention this fact? [GASB-S10: 77d; GAAFR 373] |
| _____ | _____ | _____ | 11.43 | If the government’s enterprise funds encompass one or more segments, do the notes disclose the types of goods or services provided by the segment? [GASB-S34: 122a; GAAFR 384] |
| _____ | _____ | _____ | 11.43a | Does the government report condensed financial data for segments that are not also major funds? [GASB-S34: 122b-d; GAAFR 384-385] If so: |
| _____ | _____ | _____ | 11.43a1 | Do the notes present a condensed statement of net position for each segment on a modified cash basis? [GASB-S34: 122b; GAAFR 385] |
| _____ | _____ | _____ | 11.43a2 | Do the notes present a condensed statement of revenues, expenses, and changes in net position for each segment on a modified cash basis? [GASB-S34: 122c; GAAFR 385] |
| _____ | _____ | _____ | 11.43a3 | Do the notes present a condensed statement of cash flows for each segment on a modified cash basis? [GASB-S34: 122d; GAAFR 385] |
| _____ | _____ | _____ | 11.44 | If the government has engaged in short-term debt activity during the year (e.g., anticipation notes, use of lines of credit), even though no outstanding short-term debt is reported on the face of the modified cash basis financial statements at the |

Yes No N/A

end of the fiscal period, has the government discussed this fact? [GASB-S38: 12; GAAFR 374] If so:

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| _____ | _____ | _____ | 11.44a | Has the government provided a schedule of changes in short-term debt (i.e., beginning of period balance, increases, decreases, end of period balance)? [GASB-S38: 12a; GAAFR 374] |
| _____ | _____ | _____ | 11.44b | Has the government provided an explanation of the purpose for which the short-term debt was issued? [GASB-S38: 12b; GAAFR 374] |
| _____ | _____ | _____ | 11.45 | If the government engaged in material related party transactions involving cash or cash equivalents, do the notes mention that fact? If so: |
| _____ | _____ | _____ | 11.45a | Do the notes disclose the nature of the relationship(s) involved? [GASB-S62:55a; GAAFR 388] |
| _____ | _____ | _____ | 11.45b | Do the notes describe the transactions, including transactions to which no amounts or nominal amounts were ascribed, for each of the periods for which financial statements are presented, and such other information deemed necessary to gain an understanding of the effects of the transactions on the financial statements? [GASB-S62:55b; GAAFR 388] |
| _____ | _____ | _____ | 11.45c | Do the notes disclose the dollar amounts of transactions for each of the periods for which financial statements are presented and the effects of any change in the method of establishing the terms from that used in the preceding period? [GASB-S62:55c; GAAFR 388] |
| _____ | _____ | _____ | 11.45d | Do the notes disclose amounts due from or to related parties as of the date of each statement of net position presented and, if not otherwise apparent, the terms and manner of settlement? [GASB-S62:55d; GAAFR 388] |

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| Examples of related party transactions include: <ul style="list-style-type: none">• Borrowing or lending on an interest-free basis or at a rate of interest significantly different than rates in effect at the transaction date;• Selling real estate at a price that differs significantly from its appraised value;• Making loans with no scheduled repayment terms. |
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| _____ | _____ | _____ | 11.46 | If the government participates in a joint venture, do the notes disclose this fact? [GASB-S14: 75; GAAFR 387] If so: |
| _____ | _____ | _____ | 11.46a | Do the notes describe the nature of any ongoing financial interest or responsibility resulting from participation in the joint venture? [GASB-S14: 75a(1); GAAFR 387] |
| _____ | _____ | _____ | 11.46b | Do the notes provide information on how to obtain the financial statements of the joint venture? [GASB-S14: 75a(2); GAAFR 387] |
| _____ | _____ | _____ | 11.46c | Do the notes provide information designed 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 |

Yes No N/A

financial benefit to or burden on the participating government in the future? [GASB-S14: 75a(1); GAAFR 387]

_____ _____ _____ 11.47 If the government participates in a jointly governed organization, do the notes provide any relevant information on related party transactions? [GASB-S14: 77; GAAFR 387]

_____ _____ _____ 11.48 If the government undertook a refunding during the period that either defeased or redeemed the refunded debt obligation, do the notes disclose this fact? [GASB-S7: 11-14;GAAFR 377]

_____ _____ _____ 11.48a Do the notes provide a brief description of the refunding transaction(s)? [GASB-S7: 11; GAAFR 377]

_____ _____ _____ 11.48b Do the notes disclose the aggregate difference in debt service between the refunding debt and the refunded debt? [GASB-S7: 11; GAAFR 377]

Explanation : The notes also may disclose the economic gain or loss on the transaction. [GASB-S7: 11; GAAFR 377]

_____ _____ _____ 11.49 Do the notes provide information on the nature of the major purposes for nonspendable, restricted, committed or assigned fund balance not described on the face of the governmental funds balance sheet? [GASB-S54:25; GAAFR 380]

Explanation: The government can provide the necessary detail for the categories of fund balance through the display of the information on the face of the financial statements, through disclosures in the notes to the financial statements or through a combination of these two. In other words, the government may display the specific purpose details for some classifications on the face of the financial statements and disclose the details for other classifications in the notes to the financial statements.

_____ _____ _____ 11.49a If applicable, is the detail for the two types of nonspendable fund balance (not in spendable form and legally or contractually required to be maintained intact) disclosed? [GASB-S54:25; GAAFR 380]

_____ _____ _____ 11.49b If a government has established a stabilization arrangement do the notes disclose 1) the authority for establishing the arrangement, 2) the requirements for additions to the stabilization amount, 3) the conditions under which stabilization amounts may be spent, and 4) the stabilization balance, if not apparent on the face of the financial statements. [GASB-S54: 26; GAAFR 380]

Explanation: If stabilization arrangements do not meet the criteria to be reported as either restricted or committed they should be reported as unassigned fund balance in the general fund. In order to qualify for reporting as restricted or committed the circumstances allowing for the use of the stabilization resources must be sufficiently specific and non-routine. Regardless of the category of fund balance that reports the resources related to a stabilization arrangement, the above disclosures must be made. [GASB-S54: 20-1; GAAFR 190]

Yes No N/A

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| _____ | _____ | _____ | 11.50 | If the governing body has formally adopted a minimum fund balance policy, do notes describe the policy established by the government that sets forth the minimum amount? [GASB-S54: 27; GAAFR 380] |
| _____ | _____ | _____ | 11.51 | If interfund balances arising from transactions or events involving cash or cash equivalents between governmental funds and interfund balances between proprietary funds are not eliminated in a separate column in the fund financial statements, do the notes disclose that such amounts are not included in the government-wide statement of net position– modified cash basis? [Award Program requirement] |
| _____ | _____ | _____ | 11.52 | If the government participated in a reverse repurchase agreement during the period, do the notes disclose that fact? [GASB-S3: 63, 76-80, GASB-I3: 6; GAAFR 364-365] |
| _____ | _____ | _____ | 11.53 | If the government participated in a securities lending arrangement during the period, do the notes disclose that fact?[GASB-S28: 11-15; GAAFR 365-366] |
| _____ | _____ | _____ | 11.54 | If the government has issued special assessment debt during the period, do the notes disclose that fact, and whether the government is obligated in some manner for its repayment? [GASB-S6: 20-21; GAAFR 377] |
| _____ | _____ | _____ | 11.55 | If the government has demand bonds outstanding at the end of the fiscal period, do the notes disclose that fact? [GASB-I1: 11; GAAFR 378] |
| _____ | _____ | _____ | 11.56 | If the government is legally responsible for closure and postclosure care costs associated with a municipal solid-waste landfill, do the notes disclose that fact? [GASB-S18: 17; GAAFR 379] |
| _____ | _____ | _____ | 11.56a | If there are financial assurance requirements, do the notes disclose how they are being met? [GASB-S18: 17e; GAAFR 379] |
| _____ | _____ | _____ | 11.56b | Do the notes disclose any assets restricted for the payment of closure and postclosure care costs that are not discernible on the statement of position? [GASB-S18: 17e; GAAFR 379] |
| _____ | _____ | _____ | 11.57 | If the government has included any portion of interest paid as part of direct program costs of the governmental functions in the government-wide statement of activities– modified cash basis, do the notes disclose the amount of interest paid so reported? [GASB-S34: 46; GAAFR 381] |
| _____ | _____ | _____ | 11.58 | If the government reports restricted assets, do the notes disclose the detail of restricted asset accounts (i.e., both purpose and amount) if this detail is not provided on the face of the statement of position– modified cash basis? [NCGA-S1: 1] |
| _____ | _____ | _____ | 11.59 | If the government reports a prior-period adjustment or a change in accounting principle, do the notes explain the nature of the adjustment or change and the cumulative effect of the adjustment or change? [GASB-S62: 62; GAAFR 348] |

Explanation: When financial statements for only a single period are presented, the disclosure should indicate the effects of such restatement on the balance of net position at the beginning of the period and on the change in net position of the immediately preceding period. When financial statements for more than one period are presented, the disclosure should include the effects for each of the periods included in the statements.

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| _____ | _____ | _____ | 11.60 | If the significant components of receivables and payables arising from transactions and events involving cash or cash equivalents have been obscured by aggregation on the face of the financial statements, do the notes provide the missing detail? [GASB-S38: 13; GAAFR 366 and 368] |
| _____ | _____ | _____ | 11.61 | If significant balances of receivables arising from transactions and events involving cash or cash equivalents are not expected to be collected within one year of the end of the fiscal period, do the notes disclose that fact? [GASB-S38:13; GAAFR 366] |
| _____ | _____ | _____ | 11.62 | If the government has pledged future revenues, do the notes include the required disclosures? [GASB-S48: 21; GAAFR 376-377] |
| _____ | _____ | _____ | 11.62a | Do the notes disclose the specific revenue pledged and the approximate amount of the pledge, if determinable? [GASB-S48: 21; GAAFR 376] |
| _____ | _____ | _____ | 11.62b | Do the notes disclose the general purpose of the debt secured by the pledged revenue? [GASB-S48: 21; GAAFR 376] |
| _____ | _____ | _____ | 11.62c | Do the notes disclose the term of the commitment (i.e., the period during which the revenue will not be available)? [GASB-S48: 21; GAAFR 376] |
| _____ | _____ | _____ | 11.62d | Do the notes disclose the relationship of the pledged amount to the total for that specific revenue (e.g., the proportion of the specific revenue stream that has been pledged), if determinable? [GASB-S48: 21; GAAFR 376] |
| _____ | _____ | _____ | 11.62e | Do the notes include a comparison of the pledged revenues recognized during the period to the principal and interest requirements for the debt directly or indirectly collateralized by those revenues? [GASB-S48: 21; GAAFR 377] |
| _____ | _____ | _____ | 11.63 | If during the current fiscal year the government had a transaction that qualifies as a sale of future revenues, do the notes disclose that fact? [GASB-S48: 22; GAAFR 382] |
| _____ | _____ | _____ | 11.64 | If the government is party to a service concession arrangement, do the notes disclose that fact? [GASB S-60; 16-17; GAAFR 383] |
| _____ | _____ | _____ | 11.65 | If there is substantial doubt about the government’s ability to continue as a going concern, do the notes include appropriate disclosure? [GASB-S56: 19; GAAFR 390] |

Explanation: Financial statement preparers should evaluate whether there is substantial doubt about the government’s ability to continue as a going concern for 12 months beyond the financial statement date. Also, if there is information

that is currently known to the government that may raise substantial doubt shortly thereafter (for example, within an additional three months), it should be considered. Disclosure should include all of the following, as appropriate:

- Pertinent conditions and events giving rise to the assessment of substantial doubt about the government’s ability to continue as a going concern for a reasonable period of time;
- The possible effects of such conditions and events;
- Government officials’ evaluation of the significance of those conditions and events and any mitigating factors;
- Possible discontinuance of operations;
- Government officials’ plans (including relevant prospective financial information);
- Information about the recoverability or classification of recorded asset amounts or the amounts or classification of liabilities.

_____ 11.66 Has the government refrained from negative disclosure? [GAAFR 346]

Explanation: There generally is no need to disclose that a particular situation is *not* applicable to the government reporting on a modified cash basis. There are two exceptions to this basic rule:

- Situations where GAAP, to the extent applicable under a modified cash basis, specifically require the disclosure of *whether* a given set of circumstances apply to the government;
- Situations where the absence of a given set of circumstances is so unusual that the omission of a particular disclosure is likely to be viewed by financial statement users as an oversight.

12. FINANCIAL SECTION – COMBINING AND INDIVIDUAL FUND INFORMATION AND OTHER SUPPLEMENTARY INFORMATION

_____ 12.1* Does the financial section include a combining statement to support every column in the basic fund financial statements that aggregates data from more than one fund? [GASB-S34: 281; GAAFR 596-597]

Explanation: A government with the full complement of fund types could have up to seven sets of combining fund financial statements, as follows:

- Combining statements – nonmajor governmental funds
- Combining statements – nonmajor enterprise funds
- Combining statements – internal service funds
- Combining statements – private-purpose trust funds
- Combining statements – pension (and other employee benefit) trust funds
- Combining statements – investment trust funds
- Combining statements – agency funds

_____ 12.1a Do the combining statements provide information on each individual fund included? [GAAFR 596-597]

_____ 12.1b Do the combining statements for governmental funds identify individual funds by fund type? [GAAFR 597]

Yes No N/A

12.1c*

Do the combining statements for pension (and other employee benefit) trust funds report separate columns for each individual plan? [GASB-S25: 15; GAAFR 47]

Explanation: GAAP as applied to the modified cash basis require that each separate plan be treated as a separate fund in its own right, even if administered by a single public employee retirement system. If the notes do *not* refer to a separately issued benefit plan report providing the needed information, then information on separate plans must be included *within the notes to the financial statements*.

12.1d

Has the government refrained from reporting healthcare benefits for retirees in the same fund as pension benefits? [Q&A 8.5.1, 8.5.4, and 8.5.5]

Explanation: Even if the participants make a single contribution to the plan and the plan's ability to provide healthcare benefits is conditioned on its ability to maintain sound funding of the pension benefits, the government should separately report the defined benefit pension plan and the OPEB plan.

If a defined benefit pension plan administers a postemployment healthcare plan that is funded by "excess investment earnings" (investment earnings for a particular year in excess of the long-term investment earnings assumption used for actuarial valuation purposes), the government should report the arrangement described as two plans—a defined benefit pension plan and a postemployment healthcare (OPEB) plan.

12.1e*

Do the combining statements for investment trust funds report separate columns for each individual governmental external investment pool? [GASB-S31: 18; GAAFR 47]

12.1e1

If an entity uses investment trust funds to report both governmental external investment pools and individual investment accounts, are separate columns reported for each? [GASB-S31: 20; GAAFR 47]

12.1f*

Does each combining statement include a total column? [GAAFR 597]

12.1f1

Are the amounts reported in the total column easily traceable to the corresponding column in the basic fund financial statements [Award Program requirement]?

12.2*

Does the financial section include combining statements for individual discretely presented component units that are *not* reported as either 1) a separate column in the government-wide financial statements or 2) a separate column in a component unit combining statement included within the basic financial statements? [GAAFR 596]

Explanation: The presentation of *condensed* financial statements for major discretely presented component units in the notes to the financial statements does *not* eliminate the need to present fully detailed combining statements for those same units.

Yes No N/A

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|--|-------|-------|--------|--|
| _____ | _____ | _____ | 12.2a | Do the combining statements provide information on each individual component unit included? [GAAFR 597] |
| _____ | _____ | _____ | 12.2b | Do the combining statements include a total column? [GAAFR 597] |
| _____ | _____ | _____ | 12.2b1 | Are the amounts reported in the total column easily traceable to the corresponding column in the basic financial statements? [Award Program requirement] |
| _____ | _____ | _____ | 12.3 | If a discretely presented component unit does not issue a separate report, is all of the fund information normally required by GAAP, as applicable to modified cash basis presentations, provided in the financial section of the primary government's small government annual financial report? [GASB-S14: 50; GAAFR 599-600] |
| Explanation: That is, all required basic financial statements must be provided for 1) each major governmental fund, 2) each major enterprise fund, 3) nonmajor governmental funds in the aggregate, 4) nonmajor enterprise funds in the aggregate, 5) the internal service fund type, and 6) each of the fiduciary fund types. | | | | |
| _____ | _____ | _____ | 12.4 | Are combining statements organized into subsections on the basis of fund category (i.e., governmental funds) and fund type (i.e., nonmajor enterprise funds, internal service funds, and each fiduciary fund type)? [GAAFR 598] |
| _____ | _____ | _____ | 12.4a | Is each subsection separated by a divider ? [GAAFR 598] |
| _____ | _____ | _____ | 12.4a1 | If the nature and purpose of each individual fund is not clear from its name, does the divider provide the needed information? [GAAFR 598-599] |
| _____ | _____ | _____ | 12.5 | If individual fund financial statements are presented, are they located in the subsection to which they relate? [Award Program requirement] |
| _____ | _____ | _____ | 12.5a | Are they placed behind the combining financial statements? [Award Program requirement.] |
| _____ | _____ | _____ | 12.5b | Are they sequenced in the same order as the related columns in the combining financial statements? [GAAFR 600] |
| _____ | _____ | _____ | 12.6* | If the financial reporting entity includes blended component units, has the government reclassified the general fund of the component units as special revenue funds? [GASB-S14: 54; GAAFR 41, note 16] |
| _____ | _____ | _____ | 12.7 | If individual fund financial statements are presented, do they provide additional information not already contained in the combining financial statements? [GAAFR 599] |

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| Explanation: There is no reason to provide individual fund financial presentations unless these additional presentations furnish information not otherwise already available in the basic financial statements and the combining financial statements. |
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Yes No N/A

12.8*+ If the budgetary comparison statements for the general fund and annually budgeted major special revenue funds do *not* demonstrate compliance at the legal level of budgetary control, does the governmental fund subsection of the financial section provide budgetary comparison schedules that do achieve this objective? [NCGA-S1: 9c; NCGA-I10: 14; GAAFR 599]

Explanation: The *legal level of budgetary control* is the lowest level at which a government's management may not reallocate resources without special approval. In certain extreme cases, the legal level of budgetary control may be so detailed that it is not practical to demonstrate compliance within the report itself. In such cases, a separate budgetary report may be issued to demonstrate compliance at the legal level of budgetary control, provided the report contains a reference to the existence of this separately issued report. This reference to a separately issued budgetary report, however, does *not* eliminate the need to present budgetary comparisons within the financial report for all individual governmental funds with legally adopted annual budgets. Rather, the level of detail needed for the individual fund budgetary comparisons need not exceed the level associated with the basic financial statements (that is, expenditures by function).

12.9*+ Does the governmental fund subsection of the financial section provide budgetary comparison schedules that demonstrate compliance at the legal level of budgetary control for governmental funds with legally adopted annual budgets other than the general fund and major special revenue funds? [NCGA-S1: 9c; NCGA-I10: 14; GAAFR 609]

Explanation: See explanation for 12.8.

12.10* Do all budgetary schedules present information using the budgetary basis of accounting? [GAAFR 609]

12.11 If the government reports agency funds, does the fiduciary fund subsection of the financial section include a statement of changes in assets and liabilities for each individual agency fund in either an individual fund or combining statement format? [NCGA-S1: 143; GAAFR 597-598]

13. OTHER INFORMATION ACCOMPANYING THE BASIC FINANCIAL STATEMENTS

13.1* Does the government provide a five-year schedule of trend information on net position extracted from the government-wide statement of net position – modified cash basis? [Award Program requirement] If so:

13.1a Does that schedule present separately net position of 1) governmental activities, 2) business-type activities, and the 3) the primary government in total?

13.1b Does that schedule distinguish the *restricted* and *unrestricted* portions of net position?

13.2* Does the government provide a five-year schedule of trend information on changes in net position extracted from the government-wide statement of activities – modified cash basis? [Award Program requirement] If so:

Yes No N/A

| | | | | |
|---|-------|-------|--------|---|
| _____ | _____ | _____ | 13.2a | Does that schedule separately present changes in net position of 1) governmental activities, 2) business-type activities, and 3) the primary government in total? |
| _____ | _____ | _____ | 13.2b | Does that schedule present expenses by function or program (governmental activities) or by identifiable activity (business-type activities)? |
| _____ | _____ | _____ | 13.2c | Does that schedule present program revenues by category (i.e., charges for services, operating grants and contributions, and capital grants and contributions)? |
| _____ | _____ | _____ | 13.2c1 | Are the most significant charges for services revenues presented by function or program (governmental activities) or by identifiable activity (business-type activities)? |
| _____ | _____ | _____ | 13.2c2 | Does the schedule present total net (expense) revenue (or a similar caption consistent with the modified cash basis)? |
| _____ | _____ | _____ | 13.2d | Does the schedule present general revenues and other changes in net position by type? |
| _____ | _____ | _____ | 13.2e | Does the schedule present the total change in net position? |
| _____ | _____ | _____ | 13.3* | Does the government present a schedule of five years of trend data on the fund balances of 1) the general fund and 2) all other governmental funds in the aggregate? [Award Program Requirement] If so: |
| _____ | _____ | _____ | 13.3a | Does the table separately present nonspendable, restricted, committed, assigned, and unassigned fund balance? |
| <p>Explanation: GASB Statement No. 54, as applied to the modified cash basis, replaced the categories that previously had been used to classify fund balance. Governments are encouraged to retroactively apply the provisions of GASB Statement No. 54 to fund balance data presented for years prior to the implementation of that pronouncement. However, it is only necessary for a government to apply the GASB Statement No. 54 categories prospectively, beginning with the year that that pronouncement is implemented.</p> | | | | |
| _____ | _____ | _____ | 13.4* | Does the government present five years of trend data on the changes in fund balances for all governmental funds in the aggregate? [Award Program requirement] If so: |
| _____ | _____ | _____ | 13.4a | Are revenues reported by source? |
| _____ | _____ | _____ | 13.4b | Are expenditures reported by function or program? |
| _____ | _____ | _____ | 13.4b1 | Are debt service principal and interest expenditures shown separately? |
| _____ | _____ | _____ | 13.4c | Does the table include other financing sources and uses and other changes in fund balances by type? |
| _____ | _____ | _____ | 13.4d | Does the table present the total change in fund balances? |

Yes No N/A

13.5* Does the government present five years of trend data on outstanding long-term debt obligations for 1) governmental activities, 2) business-type activities, and 3) the primary government in total? [Award Program requirement]

Each different type of debt should be listed separately

14. OTHER CONSIDERATIONS

14.1 Is the report free of inconsistencies? (If not, please specify.)