

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

STAND-ALONE BUSINESS-TYPE ACTIVITIES

SRC REVIEW GUIDE

(Available electronically at www.gfoa.org)¹

GFOA has prepared a comprehensive checklist for preparers of financial reports of stand-alone business-type activities. GFOA professional staff make use of that checklist to perform a detailed review of every report submitted to the Certificate of Achievement for Excellence in Financial Reporting Program (Certificate Program). A substantial number of the questions on the checklist address purely factual matters or formatting issues that can be resolved easily and objectively during the staff review. Members of GFOA's Special Review Committee (SRC) are welcome, of course, to use that same comprehensive checklist to perform their own reviews for the Certificate Program.² Alternatively, SRC members who prefer to focus their limited time on the more substantive aspects of the reports they are to review may use the attached *SRC Review Guide*, with the full assurance that other more routine aspects of the review will be fully covered as part of the staff review.

When using these guidelines please note:

- Indentation indicates that a question is only relevant if the response to the preceding question is positive.
- Explanations or comments follow the relevant question.
- The letter "E" before a given question and the use of shading indicates that the question is unique to stand-alone business-type activities.
- A plus sign ("+") indicates that the answer to a question in section IV of the application form determines whether the particular question is relevant to the school district.
- An asterisk ("*") indicates that a "no" response to the question is potentially sufficient to deny the certificate.

Reviewers are especially encouraged to provide narrative comments on any deficiencies they may encounter in the course of their review. Reviewers should e-mail their [VOTE PAGE](#)³ and narrative comments to srreviews@gfoa.org. A reference to a page number(s) in the CAFR should accompany each deficiency noted by the reviewer (there is no need to reference the question number).

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¹ An electronic version of this *Guide* can be found by selecting the *Award Programs* heading at the GFOA home page and then selecting *Certificate of Achievement for Excellence in Financial Reporting*. Scroll down, as necessary, to find the item.

² An electronic version of the comprehensive checklist for preparers can be found by selecting the *Award Programs* heading at the GFOA home page and then selecting *Certificate of Achievement for Excellence in Financial Reporting*. Scroll down, as necessary, to find the item.

³ An electronic version of the Vote Page can be found by selecting the *Award Programs* heading at the GFOA home page and then selecting *Certificate of Achievement for Excellence in Financial Reporting*. Scroll down, as necessary, to find the item.

Abbreviations Used in this Checklist

SLG	-	<i>Audits of State and Local Governments</i> , American Institute of Certified Public Accountants, March 1, 2013
eGAAFR		<i>Governmental Accounting, Auditing, and Financial Reporting (e-book format)</i> , GFOA 2012/2014
eSUP		<i>GAAFR Supplement</i> (available only in e-book format), GFOA 2014
GAAFR	-	<i>Governmental Accounting, Auditing, and Financial Reporting</i> , GFOA 2012
GAAP	-	Generally accepted accounting principles
GASB - I	-	GASB Interpretation
GASB - S	-	GASB Statement
GASB - TB	-	GASB Technical Bulletin
Q&A	-	<i>2013-2014 Comprehensive Implementation Guide</i> , GASB
NCGA - I	-	National Council on Governmental Accounting Interpretation
NCGA - S	-	National Council on Governmental Accounting Statement

All references listed above, except those for “GAAFR,” “eGAAFR,” “eSUP” “Q&A,” and SLG, are followed by the number of the pronouncement, if applicable, and the specific paragraph(s), footnote(s), or appendix (appendices) within the publication that is being referenced. The references to “GAAFR” and “GAAFR Review” are to pages in those publications. For “eGAAFR” AND “eSUP” the references are to the page number in Adobe Digital Editions for the electronic file. For “Q&A,” the references are to the applicable chapters and questions in that publication. For SLG, the references are to the chapters and specific paragraphs.

***[SECTION 1, COVER, TABLE OF CONTENTS, AND FORMATTING,
HAS BEEN OMITTED FROM THESE GUIDELINES]***

INTRODUCTORY SECTION

LETTER OF TRANSMITTAL

- 2.4e Does it include background information on the enterprise fund?
- 2.4f Does it contain information designed to assist users in assessing the enterprise fund's economic condition?

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

- 2.4i Has the enterprise fund refrained from duplicating information contained in MD&A or in the notes to the financial statements? [GASB-S34: 8, note 7; Q&A: 7.5.2; GAAFR, pages 591-592]

Explanation: The *GAAFR* suggests three means to avoid unnecessary duplication: 1) briefly identify a topic and explain its potential interest to financial statement users in the letter of transmittal, 2) refer readers of the letter of transmittal to the notes and MD&A for any information on the topic already provided there, and 3) limit the discussion in the letter of transmittal to the more subjective aspects of a given topic.

***[SECTION 3, FINANCIAL SECTION – REPORT OF THE
INDEPENDENT AUDITOR, HAS BEEN OMITTED FROM THESE
GUIDELINES]***

FINANCIAL SECTION – MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

- 4.1e Does MD&A provide an overall analysis of the entity's financial position and results of operations? [GASB-S34: 11c; GAAFR, page 569]

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

- 4.1e1 Does it specifically address whether the entity's overall financial position has improved or deteriorated? [GASB-S34: 11c; GAAFR, page 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.

- 4.1f1 Does MD&A address whether restrictions, commitments, or other limitations significantly affect the availability of fund resources for future use? [GASB-S34: 11d; GAAFR, page 293]

- 4.1h Does MD&A describe significant capital asset and long-term debt activity during the year? [GASB-S34: 11f; GAAFR, page 570]

Explanation: This discussion should summarize, rather than repeat, the detailed information presented in the notes. It also should address commitments made for capital expenditures, changes in credit ratings, and debt limitations that may affect the financing of planned facilities or services.

- 4.1k Has the enterprise fund refrained from addressing in MD&A topics not specifically prescribed by SGAS 34? [GASB-S37: 4-5; Q&A: 7.5.7; GAAFR, page 571]

Explanation: The enterprise fund may address in the MD&A only those topics specifically identified in SGAS 34, paragraph 11. These topics are summarized in questions 4.1c-4.1i1 of this checklist. An enterprise fund is free, however, to provide whatever level of detail it believes appropriate in addressing these particular topics.

FINANCIAL SECTION – BASIC FINANCIAL STATEMENTS

PRELIMINARY CONSIDERATIONS

PLEASE NOTE: Questions 5.2a and 5.2b identify the items that are appropriately reported as deferred outflows of resources and deferred inflows of resources before the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. For those enterprise funds that have implemented GASB Statement No. 68 and GASB Statement No. 71 for pension plans that are *administered through a trust or equivalent arrangement* or are planning for their implementation should refer to the *Checklist Supplement* following section 19 of this Review Guide for additional items that those statements identify as deferred outflows of resources and deferred inflows of resources for such pension plans.

5.2a* If the statement presents deferred outflows of resources are the items presented as such limited to those items specifically identified by GAAP for reporting in the category? [GASB-S63: 7]

Explanation: GASB Concepts Statement No. 4 established deferred outflows of resources as a financial statement element. However, that guidance states that only amounts identified by the GASB in authoritative pronouncements can be reported in the category. Following is the pronouncement and the item it identifies that can be reported as a deferred outflow of resources:

- The fair value of effective hedges that are in a loss position (i.e., the cumulative amount of the fair value changes of the effective hedge is a debit). [GASB-S53: 20]
- For current refundings and advance refundings resulting in defeasance of debt the excess of the reacquisition price of the old debt over its net carrying amount [GASB-S65:5-6]
- A change in the provisions of a current capital lease that results from a current or advance refunding by the lessor who passes through the effect to the lessee (and the lease continues to qualify as a capital lease) which increases the lessee's lease obligation [GASB-S65:7]
- The resources that providers transmit to recipients before time requirements are met, but after all other eligibility requirements have been met [GASB-S65:10]
- The amount paid by the transferee government to the transferor government in an intra-entity sale of future revenues [GASB-S65:13]
- The loss on the sale of property that is accompanied by a leaseback of all or any part of the property for all or part of its remaining economic life [GASB-S65:18]
- Direct loan origination costs for mortgage banking activities where the loan is held for resale [GASB-S65:25]
- Fees paid to permanent investors in mortgage banking activities prior to the sale of the loans [GASB-S65:27]
- Consideration provided in excess of the net position obtained by the acquiring government in a government acquisition [GASB-S69:39]

5.2b* If the statement presents deferred inflows of resources are the items presented as such limited to those items specifically identified by GAAP for reporting in the category? [GASB-S63: 7]

Explanation: GASB Concepts Statement No. 4 established deferred inflows of resources as a financial statement element. However, that guidance states that only amounts identified by the GASB in authoritative pronouncements can be reported in the category. Following are the pronouncements that identify items that can be reported as deferred inflows of resources:

- The fair value of effective hedges that are in a gain position (i.e., the cumulative amount of the fair value changes of the effective hedge is a credit) [GASB-S53: 20]
- In a service concession arrangement (SCA) the amount a transferor reports for the difference between the fair value of a new facility purchased or constructed by the operator or the improvement of an existing facility by the operator and any contractual liabilities that the transferor reports under the SCA. [GASB-S60: 9]
- In a SCA the amount a transferor reports for the difference between up-front or installment payments from the operator and any contractual liabilities that the transferor reports under the SCA. [GASB-S60: 12]
- For current refundings and advance refundings resulting in defeasance of debt the excess of the reacquisition price of the old debt over its net carrying amount [GASB-S65:5-6]
- A change in the provisions of a current capital lease that results from a current or advance refunding by the lessor who passes through the effect to the lessee (and the lease continues to qualify as a capital lease) which increases the lessee's

- The resources that providers transmit to recipients before time requirements are met, but after all other eligibility requirements have been met [GASB-S65:10]
- The amount paid by the transferee government to the transferor government in an intra-entity sale of future revenues [GASB-S65:12]
- The loss on the sale of property that is accompanied by a leaseback of all or any part of the property for all or part of its remaining economic life [GASB-S65:18]
- Loan origination fees for mortgage banking activities where the loan is held for resale [GASB-S65:26]
- Loan origination fees received that represent points [GASB-S65:22]

5.7* Has the enterprise fund refrained from making direct adjustments to equity except in those situations specifically contemplated by GAAP? [*Audits of State and Local Governments* 10.03; GAAFR, pages 115-116]

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

5.8* Do the enterprise fund financial statements articulate (i.e., tie)?

E5.1 If the enterprise fund is a component unit, has the enterprise fund refrained from reporting transfers of capital assets or financial assets from the primary government at an amount other than their carrying value at the time of the transfer? [GASB-S48: 15]

E5.2 If the enterprise fund is a fund or department of a primary government, has the enterprise fund refrained from reporting transfers of capital assets or financial assets from the PRIMARY government at an amount other than their carrying value at the time of the transfer? [GASB-S48: 15]

***[SECTIONS 6, 7, AND 8 ARE NOT APPLICABLE TO STAND-ALONE
BUSINESS-TYPE ACTIVITIES]***

STATEMENT OF NET POSITION/BALANCE SHEET

E9.3 Is the net pension obligation (NPO)/net other postemployment benefit obligation (NOPEBO), if any, properly reported (i.e., positive balance = liability, negative balance = asset)? [GASB-S27: 17; GAAFR, page 275]

9.10a* Is the net investment in capital assets correctly calculated? [GASB-S34: 33; GAAFR, pages 300-303]

Explanation: The enterprise fund should calculate the net investment in capital assets using the following general formula:

Capital assets (including appropriately reported intangible assets)
Plus capital-related deferred outflows of resources
Less accumulated depreciation
Less outstanding principal of capital-related debt
Less capital-related deferred inflows of resources
Net investment in capital assets

9.10a1* Has the enterprise fund refrained from including financial assets, including interfund loans, in the calculation of net investment in capital assets? [GASB-S34: 33; Q&A 7.23.11; GAAFR, page 301]

9.10a2* Has the enterprise fund refrained from including noncapital accrued liabilities (e.g., compensated absences, claims and judgments, landfill closure and postclosure costs) in the calculation of net investment in capital assets? [GASB-S34: 33; GAAFR, page 300]

9.10a3* Has the enterprise fund refrained from including unspent proceeds from debt in the calculation of net investment in capital assets? [GASB-S34: 33; Q&A 7.23.2; GAAFR, page 300-301]

910a4* Has the enterprise fund refrained from including interest payable and the accrued interest on deep discount debt in the calculation of net investment in capital assets? [Q&A 7.22.9]

Explanation: Original issue discounts and premiums, however, should be included in the calculation of net investment in capital assets. Conversely, bond issuance costs should be excluded from the calculation.

9.10a5* Has the enterprise fund included debt that refunded capital-related debt in the calculation of net investment in capital assets? [Q&A 7.23.6]

Explanation: Deferred amounts on refundings relating to capital-related debt should be included in this calculation. In the case of a crossover refunding, the new debt does not qualify as capital-related debt until the crossover date (i.e., when the old debt is refunded). Accordingly, that debt should not be included in the calculation of net investment in capital assets until the crossover date.

9.10a6* Has the enterprise fund excluded debt used to finance capital acquisition by parties outside the proprietary funds from the calculation of the net investment in capital assets? [Q&A 7.23.10; GAAFR, pages 301-303]

9.10b 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, pages 303-305]

Explanation: If liabilities that are to be paid from assets with restrictions on their use exceed those assets, the excess should affect the unrestricted net position calculation.

9.10c Is unrestricted net position correctly calculated?

9.10c1 Does the calculation of unrestricted net position include the net position related to joint ventures? [Q&A 7.25.1; GAAFR, page 305]

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION/EQUITY

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

STATEMENT OF CASH FLOWS

9.15b Has the enterprise fund 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, pages 210 and 238-239]

Explanation: Note the contrast with private-sector practice (i.e., SFAS 95), where *cash flows from operating activities* always includes cash flows related to interest revenue and interest expense.

9.15c Has the enterprise fund refrained from combining *cash flows for noncapital financing activities* and *cash flows from capital and related financing activities* into a single *cash flows from financing activities* category?

[GASB-S9: 53-54; GAAFR, pages 210-211 and 238-239]

Explanation: Note the contrast with private-sector practice (i.e., SFAS 95), which provides for only a single category to be used for all types of *cash flows from financing activities*.

9.15d Has the enterprise fund refrained from reporting disbursements for the acquisition of capital assets as *cash flows from investing activities*? [GASB-S9: 57a; GAAFR, page 210-211 and 239]

Explanation: Note the contrast with private-sector practice (i.e., SFAS 95), where payments associated with capital acquisition and construction are reported as *cash flows from investing activities*.

9.19 Is the statement accompanied by information (in narrative or tabular form) concerning investing, capital, or financing activities of the period that affected recognized assets or liabilities but did *not* result in cash flows? [GASB-S9: 37; GAAFR, page 241]

Explanation: The required information must be presented either on the face of the statement of cash flows or on the next page. Note disclosure is *not* sufficient to meet the requirement. Also, when a single transaction involves both cash and noncash components this schedule should clearly describe the cash and noncash aspects of the transaction

**[SECTION 10, FIDUCIARY FUND STATEMENTS, HAS BEEN OMITTED
FROM THESE GUIDELINES]**

**FINANCIAL SECTION – SUMMARY OF
SIGNIFICANT ACCOUNTING POLICIES (SSAP)**

11.4+ If the enterprise fund itself is a component unit, does the SSAP identify the primary government and describe the nature of the relationship? [GASB-S14: 65; GAAFR, page 325]

E11.1 If the CAFR is for an enterprise fund (rather than a component unit) of a primary government, do the notes disclose the primary government of which the enterprise fund is an integral part and the fund's relationship to the primary government?

Explanation: In cases where an enterprise fund that is *not* a component unit produces its own CAFR, it is Certificate of Achievement Program policy that the notes to the financial statements include a statement such as "the (name of stand-alone enterprise fund) is an enterprise fund of the (name of primary government)."

**FINANCIAL SECTION–NOTE DISCLOSURES (OTHER THAN THE SUMMARY OF
SIGNIFICANT ACCOUNTING POLICIES AND PENSION-RELATED DISCLOSURES)**

12.3 Do the notes disclose the enterprise fund's policy for custodial credit risk associated with deposits or indicate that it does not have such a policy? [GASB-S40: 6; GAAFR, page 350]

12.6 Has the enterprise fund refrained from including any such investments that are not subject to custodial credit risk because they are *not* evidenced by securities? [GASB-S40: 9; GAAFR, pages 355-356]

Explanation: Investments that are evidenced by contracts rather than securities (and therefore not subject to custodial credit risk) include venture capital, limited partnerships, open-end mutual funds, participation in investment pools of other enterprise funds, real estate, direct investments in mortgages and other loans, annuity contracts, and guaranteed investment contracts.

12.7 Do the notes disclose the credit ratings (or explain that credit ratings are not available) for investments in debt securities (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, pages 353-354]

12.7a 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-S59: 6; GAAFR, pages 359-360]

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

12.8 Do the notes disclose subsequent events? [GASB-S56: 8-10; NCGA-I6: 4d; GAAFR, page 389]

Explanation: There are two types of subsequent events: recognized and nonrecognized. Recognized subsequent events are those events that provide additional evidence with respect to conditions that existed at the date of the statement of net position and affect the estimates inherent in the process of preparing financial statements. These events require adjustments to the financial statements. Nonrecognized events are those events that provide evidence about conditions that did not exist at the date of the statement of net position but arose subsequent to that date. For example, the issuance of bonds, the creation of a new component unit, or the loss of an enterprise fund facility as a result of a tornado, fire, or flood. Also, changes in quoted market prices of securities after year end are normally nonrecognized subsequent events because such changes normally result from an evaluation of new conditions arising after year end. Nonrecognized subsequent events require disclosure when their nature is such that they are essential to a user's understanding of the financial statements. It may also be necessary to include a discussion of subsequent events in the MD&A, depending on the facts and circumstances of the event. See italicized comment and explanation preceding checklist question 4.1j

12.9 Do the notes disclose material violations of finance-related legal and contractual provisions? [NCGA-I6: 4; GAAFR,

- 12.9a If a violation is significant, do the notes identify actions that the enterprise fund has taken to address the violation? [GASB-S38: 9; GAAFR, page 347]
- 12.21c If the enterprise fund participates in a risk pool, do the notes describe the arrangement? [GASB-S10: 77c; GAAFR, page 373]
- 12.21c1 Do the notes specifically address the rights and responsibilities of both the enterprise fund and the pool? [GASB-S10: 77c; GAAFR, page 373]
- 12.21d If the enterprise fund retains some risk of loss, do the notes mention this fact? [GASB-S10: 77d; GAAFR, page 372] If so:
- 12.21d1 Do the notes describe what the liability for unpaid claims represents and how it is calculated? [GASB-S30: 10; GAAFR, page 373]
- 12.21d1a Do the notes mention whether nonincremental claims adjustment expenses have been included as part of the liability for claims and judgments? [GASB-S30: 10; GAAFR, page 373]
- 12.25a Has the enterprise fund 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, page 374]
- 12.25b Has the enterprise fund provided an explanation of the purpose for which the debt was issued? [GASB-S38: 12b; GAAFR, page 374]
- 12.26 If the enterprise fund participates in a joint venture, do the notes disclose this fact? [GASB-S14: 75; GAAFR, page 387] If so:
- 12.26a 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, page 387]
- 12.27 If the enterprise fund undertook a refunding during the period that either defeased or redeemed the refunded debt, do the notes disclose this fact? [GASB-S7: 11-14; GAAFR, page 377]
- 12.27b Do the notes disclose the aggregate difference in debt service between the refunding debt and the refunded debt? [GASB-S7: 11; GAAFR, page 377]
- 12.27c Do the notes disclose the economic gain or loss on the transaction? [GASB-S7: 11; GAAFR, page 377]
- 12.30 If the enterprise fund has issued special assessment debt for which it is obligated in some manner, do the notes discuss this debt? [GASB-S6: 20; GAAFR, page 377] If so:
- 12.31 If the enterprise fund has issued special assessment debt for which it is not obligated in any manner, do the notes discuss this debt? [GASB-S6: 21; GAAFR, page 377] If so:
- 12.32 If the enterprise fund has demand bonds outstanding at the end of the fiscal period, do the notes provide all of the disclosures required by GAAP? [GASB-I1: 11; GAAFR, page 378]

Explanation: The notes should disclose all of the following information regarding demand bonds:

- The terms of any letters of credit or other liquidity facilities outstanding;
- Commitment fees to obtain the letters of credit and any amounts drawn on them outstanding as of the end of the fiscal year;
- The take-out agreement, including its expiration date, commitment fees to obtain the take-out agreement, and the terms of any new obligation incurred or expected to be incurred as a result of the take-out agreement;
- Debt service requirements to maturity that would result if the take-out agreement were exercised.

- 12.34 If the enterprise fund as an employer benefits from on-behalf payments of fringe benefits and salaries for its employees, do the notes disclose the amounts recognized during the period? [GASB-S24: 12; GAAFR, page 382]

Explanation: An employer can benefit from payments for various types of fringe benefits. The types of such benefits include pension contributions and health and life insurance premiums. Also included in this category are certain payments from the federal government under Medicare Part D for prescription drug coverage that a state or local government employer provides to its retirees. However, not all Medicare Part D payments qualify for treatment as on-behalf payments. Generally, only those payments that are made to a multiple-employer other postemployment benefit (OPEB) plan do. Payments that an employer receives directly, such as those related to a single-employer OPEB plan, are properly reported as voluntary nonexchange transactions.

12.34a If on-behalf benefits take the form of contributions to a pension plan for which the employer is not legally responsible, do the notes disclose the name of the pension plan and the name of the entity that makes the contributions? [GASB-S24: 12; GAAFR, page 382]

12.37 If the enterprise fund 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, page 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.

12.39 If the enterprise fund has pledged future revenues, do the notes include the required disclosures? [GASB-S48: 21, GAAFR, page 376]

Explanation: These disclosures do not apply to a legally separate stand-alone business-type activity that finances its operations primarily by a single major revenue source.

12.39a Do they disclose the specific revenue pledged and the approximate amount of the pledge, if determinable? [GAAFR, page 376]

12.39b Do they disclose the general purpose of the debt secured by the pledged revenue? [GAAFR, page 376]

12.39c Do they disclose the term of the commitment (i.e., the period during which the revenue will not be available)? [GAAFR, page 376]

12.39d Do they 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? [GAAFR, page 376]

12.39e Do they 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? [GAAFR, page 377]

12.44 Has the enterprise fund issued obligations currently or in the past that have been guaranteed by another entity as part of a nonexchange transaction? [GASB-S70: 16-17; eGAAFR, pages 916 and 939-40; eSUP, pages 13 and 35-6] If so:

12.44a Do the notes provide disclosures, by type of guarantee, for such guarantees that relate to obligations outstanding at the reporting date? Do they include:

12.44a1 The name of the entity providing the guarantee

12.44a2 The amount of the guarantee

12.44a3 The length of time of the guarantee

12.44b If payments were made either, during the reporting period or in previous periods, by the guarantor are disclosures made regardless of whether or not the enterprise fund has any such guaranteed obligations outstanding at the end of the reporting period? If so, do the disclosures also include:

12.44b1 The amount paid by the guarantor during the current reporting period

12.44b2 The cumulative amount paid by the guarantor on the enterprise funds's obligations

- 12.44b3 A description of requirements to repay the guarantor
- 12.44b4 The outstanding amounts, if any, required to be repaid to the guarantor

***[SECTION 13, FINANCIAL SECTION – PENSION-RELATED NOTE
DISCLOSURES HAS BEEN OMITTED FROM THESE GUIDELINES]***

FINANCIAL SECTION – RSI

- 14.12 Has the enterprise fund refrained from including information as required supplementary information that the authoritative accounting literature does not designate as such? [GAAFR, page 577]

[SECTIONS 15, 16, AND 17 HAVE BEEN OMITTED FROM THESE GUIDELINES]

STATISTICAL SECTION

- 18.1r Does the statistical section include appropriate analytical and educational explanations? [GASB-S44: 42; GAAFR, page 634]

Explanation: Any narrative provided should serve to enhance the understandability of the data included in the statistical section. Preparers must exercise professional judgment to determine whether and to what extent such discussion should be included. Generally, the following four types of information are appropriate in the statistical section:

- Explanations of the objectives of statistical section information in general and the five categories of statistical section information, as well as individual schedules of information;
- Explanations of basic concepts that may be unfamiliar to financial report users;
- Explanations that identify relationships among the information in various statistical section schedules, as well as between the statistical section and information in other sections of the financial report;
- Explanations of atypical trends and anomalous data that the financial report users would not otherwise understand. Such trends and data may result from infrequent incidents, changes in underlying assumptions or accounting methods, organizational restructuring, major policy changes, or other events.

OTHER CONSIDERATIONS

- 19.1 Is the report free of inconsistencies? (If not, please specify.)
- 19.2* If the enterprise fund participated in the Certificate of Achievement for Excellence in Financial Reporting Program in the immediately preceding fiscal year, has the enterprise fund adequately remedied or otherwise responded to the comments and suggestions generated by the previous review? (If not, please specify.)

CHECKLIST SUPPLEMENT

ISSUED BUT NOT YET EFFECTIVE GASB PRONOUNCEMENTS

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective for fiscal periods beginning after June 15, 2014

This Statement adds questions and explanations to the checklist for pension plans that are *administered through a trust or equivalent arrangement*. Following are the changes necessary to the checklist because of this Statement.

When the following questions and subquestions 5.2a through 5.2d3e are included in the checklist they will simply replace the existing questions 5.2a and 5.2b

5.2a* If the statement presents deferred outflows of resources are the non-pension related items presented as such limited to those items specifically identified by GAAP for reporting in the category? [GASB-S63:7]

Explanation: GASB Concepts Statement No. 4 established deferred outflows of resources as a financial statement element. However, that guidance states that only amounts identified by the GASB in authoritative pronouncements can be reported in the category. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, identifies several pension-related items that are to be reported as deferred outflows of resources. GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and other pronouncements also identify certain items that are to be reported as deferred outflows of resources. The pension-related deferred outflows of resources are addressed in question 5.2b. Following are the non-pension related items that can be reported as deferred outflows of resources and the pronouncement that identifies them to be reported as such:

- The fair value of effective hedges that are in a loss position (i.e., the cumulative amount of the fair value changes of the effective hedge is a debit). [GASB-S53:20]
- For current refundings and advance refundings resulting in defeasance of debt the excess of the reacquisition price of the old debt over its net carrying amount [GASB-S65:5-6]
- A change in the provisions of a current capital lease that results from a current or advance refunding by the lessor who passes through the effect to the lessee (and the lease continues to qualify as a capital lease) which increases the lessee's lease obligation [GASB-S65:7]
- The resources that providers transmit to recipients before time requirements are met, but after all other eligibility requirements have been met [GASB-S65:10]
- The amount paid by the transferee government in an intra-entity sale of future revenues [GASB-S65:13]
- The loss on the sale of property that is accompanied by a leaseback of all or any part of the property for all or part of its remaining economic life [GASB-S65:18]
- Direct loan origination costs for mortgage banking activities where the loan is held for resale [GASB-S65:25]
- Fees paid to permanent investors in mortgage banking activities prior to the sale of the loans [GASB-S65:27]
- Consideration provided in excess of the net position obtained by the acquiring government in a government acquisition [GASB-S69:39]

5.2b* Does the statement present pension-related deferred outflows of resources? If so, are the items presented as such limited to only the applicable items from the following: [GASB-S63:7]

Explanation: GASB Concepts Statement No. 4 established deferred outflows of resources as a financial statement element. However, that guidance states that only amounts identified by the GASB in authoritative pronouncements can be reported in the category. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, identifies several pension-related items that are to be reported as deferred outflows of resources. This question and related subquestions discuss the pension-related items that are appropriately reported as deferred outflows of resources. GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and other pronouncements also identify certain items that are to be reported as deferred outflows of resources. The non-pension related deferred outflows of resources are addressed in question 5.2a.

5.2b1 Is the enterprise fund an employer or a governmental nonemployer contributing entity to a defined benefit pension plan *administered through a trust or equivalent arrangement* (regardless of the type of pension plan and whether there is a special funding situation)? If so, deferred outflows of resources should include all of the following items (if applicable):

Explanation: Special funding situations involve circumstances in which a nonemployer entity is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity or entities and *either* of the following conditions exists:

- a. The amount of contributions for which the nonemployer entity is legally responsible is *not* dependent upon one or more events or circumstances unrelated to the pensions.
- b. The nonemployer entity is the only entity with a legal obligation to make contributions directly to a pension plan.

In such cases the nonemployer entity is referred to as a governmental nonemployer contributing entity. This latter term is also used to describe a nonemployer contributing entity when their obligation to make direct contributions to a pension plan (defined benefit or defined contribution) does not meet the criteria for a special funding situation.

For a cost-sharing plan or a single-employer or agent plan when there is a special funding situation, the term collective net pension liability is used to describe the net pension liability.

- 5.2b1a Contributions made *after the measurement date* of the net pension liability/collective net pension liability, *but before the end* of the employer's or governmental nonemployer contributing entity's reporting period [GASB-S68: 34, 57, 89, and 106]
- 5.2b1b For the period that GASB Statement No. 68 is adopted, contributions made *after the measurement date* of the beginning of the year liability balance for the net pension liability/collective pension liability but *before the start* of the employer's or governmental nonemployer contributing entity's reporting period [GASB-S71:2-3]
- 5.2b2 Is the enterprise fund an *employer* for a single-employer or agent multiple-employer pension plan *administered through a trust or equivalent arrangement* that does not have a special funding situation? If so, deferred outflow of resources should include all of the following items (if applicable):
 - 5.2b2a Amounts not yet recognized in pension expense that have a debit balance and represent the differences between expected and actual experience for economic and demographic assumptions (e.g., inflation, salary changes, ad hoc postemployment benefit changes, mortality) used to measure the net pension liability [GASB-S68:33a1]
 - 5.2b2b Amounts not yet recognized in pension expense that have a debit balance and represent changes of assumptions about future economic or demographic assumptions (e.g., inflation, salary changes, ad hoc postemployment benefit changes, mortality) or other inputs [GASB-S68:33a2]
 - 5.2b2c Amounts not yet recognized in pension expense that represent the differences between projected and actual earnings on pension plan investments when the net of all such amounts is a debit balance [GASB-S68:33b]

Explanation: The difference between projected and actual earnings on pension plan investments for each year should be recognized in pension expense using a systematic and rational method over a closed five-year period, beginning in the reporting period in which the difference occurred. The deferred outflows of resources and deferred inflows of resources of such differences from different measurement periods, not yet recognized in pension expense, should be aggregated and reported as a net deferred outflow of resources or a net deferred inflow of resources.

- 5.2b3 Is the enterprise fund an employer for a cost-sharing multiple-employer pension plan, an employer for a single-employer or agent multiple-employer pension plan with a special funding situation, or a governmental nonemployer contributing entity to a pension plan that is *administered through a trust or equivalent arrangement*? If so, deferred outflow of resources should include all of the following items (if applicable):

Explanation: Deferred outflows of resources and deferred inflows of resources should be recognized for the employer's proportionate shares of the collective deferred outflows of resources and deferred inflows of resources determined using the employer's or nonemployer contributing entity's proportion of the collective net pension liability.

- 5.2b3a Amounts not yet recognized in pension expense that have a debit balance and represent the differences between expected and actual experience for economic and demographic assumptions (e.g., inflation, salary changes, ad hoc postemployment benefit changes, mortality) used to measure the net pension liability [GASB-S68:53, 71a1, 85, and 102]
- 5.2b3b Amounts not yet recognized in pension expense that have a debit balance and represent changes of assumptions about future economic or demographic assumptions (e.g.,

inflation, salary changes, ad hoc postemployment benefit changes, mortality) or other inputs [GASB-S68:53, 71a2, 85, and 102]

5.2b3c Amounts not yet recognized in pension expense that represent the differences between projected and actual earnings on pension plan investments when the net of all such amounts is a debit balance [GASB-S68:53, 71b, 85, and 102]

Explanation: The difference between projected and actual earnings on pension plan investments for each year should be recognized in pension expense using a systematic and rational method over a closed five-year period, beginning in the reporting period in which the difference occurred. The deferred outflows of resources and deferred inflows of resources of such differences from different measurement periods, not yet recognized in pension expense, should be aggregated and reported as a net deferred outflow of resources or a net deferred inflow of resources.

5.2b3d Amounts not yet recognized in pension expense that have a debit balance and represent the net effect of a change in the employer's or governmental nonemployer contributing entity's proportion of the collective deferred outflows of resources since the prior measurement [GASB-S 68:54, 86, and 103]

Explanation: If there is a change in the employer's or governmental nonemployer contributing entity's proportion of the collective net pension liability since the prior measurement date, the net effect of that change on the employer's or governmental nonemployer contributing entity's proportionate shares of the collective deferred outflows of resources and deferred inflows of resources, determined as of the beginning of the measurement period, should be recognized in the employer's or governmental nonemployer contributing entity's pension expense, beginning in the current reporting period, using a systematic and rational method over a closed period. The period should be equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan (active employees and inactive employees) determined as of the beginning of the measurement period.

5.2b3e Amounts not yet recognized in pension expense that have a debit balance and represent the difference during the measurement period between (a) the total amount of such contributions from the employer (and amounts associated with the employer from nonemployer contributing entities that are not in a special funding situation) and (b) the amount of the employer's proportionate share of the total of such contributions from all employers and all nonemployer contributing entities [GASB-S68: 55, 87, and 104]

Explanation: For contributions to the pension plan other than those to separately finance specific liabilities of an individual employer or governmental nonemployer contributing entity to the pension plan, the difference during the measurement period between (a) the total amount of such contributions from the employer (and amounts associated with the employer from nonemployer contributing entities that are not in a special funding situation) and (b) the amount of the employer's proportionate share of the total of such contributions from all employers and all nonemployer contributing entities should be recognized in the employer's pension expense, beginning in the current reporting period, using a systematic and rational method over a closed period. For this purpose, the length of the expense recognition period should be equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan (active employees and inactive employees) determined as of the beginning of the measurement period. The amount not recognized in the employer's pension expense should be reported as a deferred outflow of resources or deferred inflow of resources.

5.2c* If the statement presents deferred inflows of resources are the non-pension related items presented as such limited to those items specifically identified by GAAP for reporting in the category? [GASB-S63:7]

Explanation: GASB Concepts Statement No. 4 established deferred inflows of resources as a financial statement element. However, that guidance states that only amounts identified by the GASB in authoritative pronouncements can be reported in the category. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, identifies several pension-related items that are to be reported as deferred inflows of resources. GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and other pronouncements also identify certain items that are to be reported as deferred inflows of resources. The pension-related deferred inflows of resources are addressed in question 5.2d. Following are the non-pension related items that can be reported as deferred inflows of resources and the pronouncement that identifies them to be reported as such:

- The fair value of effective hedges that are in a gain position (i.e., the cumulative amount of the fair value changes of the effective hedge is a credit) [GASB-S53:20]
- In a service concession arrangement (SCA) the amount a transferor reports for the difference between the fair value of a new facility purchased or constructed by the operator or the improvement of an existing facility by the operator and any contractual liabilities that the transferor reports under the SCA. [GASB-S60:9]
- In a SCA the amount a transferor reports for the difference between up-front or installment payments from the operator

- For current refundings and advance refundings resulting in defeasance of debt the excess of the carrying value of the old debt over its reacquisition price [GASB-S65:5-6]
- A change in the provisions of a current capital lease that results from a current or advance refunding by the lessor who passes through the effect to the lessee (and the lease continues to qualify as a capital lease) which decreases the lessee's lease obligation [GASB-S65:7]
- The resources that recipients receive from providers before time requirements are met, but after all other eligibility requirements have been met [GASB-S65:10]
- The amount received by the transferor government in an intra-entity sale of future revenues [GASB-S65:12]
- The gain on the sale of property that is accompanied by a leaseback of all or any part of the property for all or part of its remaining economic life [GASB-S65:18]
- Loan origination fees for mortgage banking activities where the loan is held for resale [GASB-S65:26]
- Loan origination fees received that represent points [GASB-S65:22]

5.2d* Does the statement present pension-related deferred inflows of resources? If so, are the items presented as such limited to only the applicable items from the following: [GASB-S63:7]

Explanation: GASB Concepts Statement No. 4 established deferred inflows of resources as a financial statement element. However, that guidance states that only amounts identified by the GASB in authoritative pronouncements can be reported in the category. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, identifies several pension-related items that are to be reported as deferred inflows of resources. This question and related subquestions discuss the pension-related items that are appropriately reported as deferred inflows of resources. GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and other pronouncements also identify certain items that are to be reported as deferred inflows of resources. The non-pension related deferred inflows of resources are addressed in question 5.2c.

5.2d1 Is the enterprise fund an *employer* for a single-employer or agent multiple-employer defined benefit pension plan to a pension plan that is *administered through a trust or equivalent arrangement* and that does not have a special funding situation? If so, deferred inflow of resources should include all of the following items (if applicable):

Explanation: See the explanation to question 5.2b1 for the definition of a special funding situation.

5.2d1a Amounts not yet recognized in pension expense that have a credit balance and represent the differences between expected and actual experience for economic and demographic assumptions (e.g., inflation, salary changes, ad hoc postemployment benefit changes, mortality) used to measure the net pension liability [GASB-S68:33a1]

5.2d1b Amounts not yet recognized in pension expense that have a credit balance and represent changes of assumptions about future economic or demographic assumptions (e.g., inflation, salary changes, ad hoc postemployment benefit changes, mortality) or other inputs [GASB-S68:33a2]

5.2d1c Amounts not yet recognized in pension expense that represent the differences between projected and actual earnings on pension plan investments when the net of all such amounts is a credit balance [GASB-S68:33b]

Explanation: The difference between projected and actual earnings on pension plan investments for each year should be recognized in pension expense using a systematic and rational method over a closed five-year period, beginning in the reporting period in which the difference occurred. The amount not recognized in pension expense should be reported as deferred outflows of resources or deferred inflows of resources. The deferred outflows of resources and deferred inflows of resources of such differences from different measurement periods should be aggregated and reported as a net deferred outflow of resources or a net deferred inflow of resources.

5.2d2 Is the enterprise fund an employer for a cost-sharing multiple-employer pension plan, an employer for a single-employer or agent multiple-employer pension plan with a special funding situation, or a governmental nonemployer contributing entity to a defined benefit pension plan that is *administered through a trust or equivalent arrangement*? If so, deferred outflow of resources should include all of the following items (if applicable):

Explanation: Deferred outflows of resources and deferred inflows of resources should be recognized for the employer's proportionate share of the collective deferred outflows of resources and deferred inflows of resources determined using the employer's or nonemployer contributing entity's proportion of the collective net pension liability.

5.2d2a Amounts not yet recognized in pension expense that have a credit balance and represent the differences between expected and actual experience for economic and demographic assumptions (e.g., inflation, salary changes, ad hoc postemployment benefit changes, mortality) used to measure the net pension liability [GASB-S68:53, 71a1, 85, and 102]

5.2d2b Amounts not yet recognized in pension expense that have a credit balance and represent changes of assumptions about future economic or demographic assumptions (e.g., inflation, salary changes, ad hoc postemployment benefit changes, mortality) or other inputs [GASB-S68:53, 71a2, 85, and 102]

5.2d3c Amounts not yet recognized in pension expense that represent the differences between projected and actual earnings on pension plan investments when the net of all such amounts is a credit balance [GASB-S68:53, 71b, 85, and 102]

Explanation: The difference between projected and actual earnings on pension plan investments for each year should be recognized in pension expense using a systematic and rational method over a closed five-year period, beginning in the reporting period in which the difference occurred. The amount not recognized in pension expense should be reported as deferred outflows of resources or deferred inflows of resources. The deferred outflows of resources and deferred inflows of resources of such differences from different measurement periods should be aggregated and reported as a net deferred outflow of resources or a net deferred inflow of resources.

5.2d3d Amounts not yet recognized in pension expense that have a credit balance and represent the net effect of a change in the employer's or governmental nonemployer contributing entity's proportion of the collective deferred outflows of resources since the prior measurement [GASB-S 68:54, 86, and 103]

Explanation: If there is a change in the employer's or governmental nonemployer contributing entity's proportion of the collective net pension liability since the prior measurement date, the net effect of that change on the employer's or governmental nonemployer contributing entity's proportionate shares of the collective deferred outflows of resources and deferred inflows of resources, determined as of the beginning of the measurement period, should be recognized in the employer's or governmental nonemployer contributing entity's pension expense, beginning in the current reporting period, using a systematic and rational method over a closed period. The period should be equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan (active employees and inactive employees) determined as of the beginning of the measurement period.

5.2d3e Amounts not yet recognized in pension expense that have a credit balance and represent the difference during the measurement period between (a) the total amount of such contributions from the employer (and amounts associated with the employer from nonemployer contributing entities that are not in a special funding situation) and (b) the amount of the employer's proportionate share of the total of such contributions from all employers and all nonemployer contributing entities [GASB-S68: 55, 87, and 104]

Explanation: For contributions to the pension plan other than those to separately finance specific liabilities of an individual employer or governmental nonemployer contributing entity to the pension plan, the difference during the measurement period between (a) the total amount of such contributions from the employer (and amounts associated with the employer from nonemployer contributing entities that are not in a special funding situation) and (b) the amount of the employer's proportionate share of the total of such contributions from all employers and all nonemployer contributing entities should be recognized in the employer's pension expense, beginning in the current reporting period, using a systematic and rational method over a closed period. For this purpose, the length of the expense recognition period should be equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan (active employees and inactive employees) determined as of the beginning of the measurement period. The amount not recognized in the employer's pension expense should be reported as a deferred outflow of resources or deferred inflow of resources.

When the following questions and subquestions 6.8 through 6.9c2 are included on the checklist they will simply replace the existing questions (if applicable) or will be added as new questions.

6.8 Does the statement of net position/balance sheet include an asset for the negative net pension obligation/negative net other postemployment benefit obligation and net pension asset/collective net pension asset (enterprise fund's proportionate share), if applicable? [GASB-S27:17; GASB-S 45:21; GASB-S68:20, 48, 83, 92, and 97; GAAFR, page 400]

6.9* Does the statement of net position/balance sheet include debt and all other long-term liabilities (e.g., compensated

liability/collective net pension liability (enterprise fund's proportionate share), pollution remediation liabilities, nonexchange financial guarantees as the entity extending the guarantee) incurred in connection with the enterprise fund's activities? [GASB-S34:12e; GASB-S49:9-10; GASB-S68:20, 48, 83, 92, and 97; GASB-S70: 7-9; GAAFR, page 270]

Explanation: In the case of a defined benefit pension plan that is *administered through a trust or equivalent arrangement*, the total pension liability should be determined by (a) an actuarial valuation as of the measurement date or (b) the use of update procedures to roll forward to the measurement date amounts from an actuarial valuation performed no more than 30 months and 1 day earlier than the employer's most recent fiscal year-end. If update procedures are used and significant changes occur between the actuarial valuation date and the measurement date, professional judgment should be used to determine the extent of procedures needed to roll forward the measurement from the actuarial valuation to the measurement date, and consideration should be given to whether a new actuarial valuation is needed. The effects of changes in the discount rate resulting from changes in the pension plan's fiduciary net position or from changes in the municipal bond rate, if applicable, should be among the factors evaluated. For accounting and financial reporting purposes, an actuarial valuation of the total pension liability should be performed at least biennially. More frequent actuarial valuations are encouraged.

For a cost-sharing plan or a single-employer or agent plan when there is a special funding situation, the term collective net pension liability is used to describe the net pension liability. See question 5.2b1 for the definition of a special funding situation.

6.9c Has the enterprise fund reported at a minimum the aggregate amount for each of the following on a separate line: 1) net pension obligations (NPO), 2) net other postemployment benefit (OPEB) obligations (NOPEBO) and 3) net pension liabilities (NPL)/ collective NPL (enterprise fund's proportionate share)?

Explanation: Regardless of the type of employee benefit plan (single-employer, agent, or cost-sharing) or how it is administered (through a trust or equivalent arrangement or not through a trust or equivalent arrangement) the amount for each type of liability may be presented in the aggregate on the face of the financial statements.

For a cost-sharing plan or a single-employer or agent plan when there is a special funding situation, the term collective net pension liability is used to describe the net pension liability. See question 5.2b1 for the definition of a special funding situation.

6.9c2 Has the enterprise fund separately reported liabilities for amounts of either, a short-term or long-term nature, that are separately financed specific liabilities of an individual employer or individual governmental nonemployer contributing entity to the pension plan rather than including them in the total for a NPO, NOPEBO, or NPL? [GASB-s27:11 and 17; GASB-S45: 21; GASB-S68: 48a, 88, 105, and 120]

Explanation: Each of the individual liability items should exclude amounts, if any, to separately finance specific liabilities of an individual employer or governmental nonemployer contributing entity to the pension plan. Examples of separately financed specific liabilities to a plan include, long-term amounts recognized for legally or contractually deferred contributions with separate payment schedules, and amounts assessed to an individual employer upon joining a multiple-employer plan. Such amounts normally become due and payable pursuant to contractual arrangements or legal requirements.