GFOA has prepared a comprehensive checklist for preparers of financial reports of pension and OPEB systems (system) and of cash and investment pools (pool). 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. 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 “P” before a given question indicates that the question is unique to postemployment benefit systems or cash and investment pools.
- 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 and narrative comments to srcreviews@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 - *Audits of State and Local Governments*, American Institute of Certified Public Accountants, March 1 2013

eGAAFR - *Governmental Accounting, Auditing, and Financial Reporting (e-book format)*, GFOA 2012/2014

eSUP - *GAAFR Supplement* (available only in e-book format), GFOA 2014

GAAFR - *Governmental Accounting, Auditing, and Financial Reporting*, GFOA 2012

GASB - I - GASB Interpretation

GASB - S - GASB Statement

GASB - TB - GASB Technical Bulletin

Q&A - 2013-2014 *Comprehensive Implementation Guide* - 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” are to pages in that publication. 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.
INTRODUCTORY SECTION

LETTER OF TRANSMITTAL

2.4e Does the letter of transmittal include background information on the system (pool)? [GAAFR, page 593]

Explanation: The background information for a pool should include the following: 1) a discussion of the pool’s history, 2) a discussion of the pool’s participants, 3) the services provided by the pool, and 4) a description of the pool.

2.4i Has the system (pool) 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, page 591-2]

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

P2.3 Does the letter of transmittal discuss major initiatives involving investments, benefits, or administration? [GAAFR page 659]

P2.4 Does it discuss funding status and progress toward achieving funding goals? [GAAFR page 659]

Explanation: The discussion in the letter of transmittal ought to communicate the information in less technical terms than in the other sections of the CAFR.

P2.5 Does it include financial information for investment activities that includes investment policies and strategies, safeguards on investments, and yield information? [GAAFR page 659]

Explanation: The letter of transmittal for a pool should include 1) the pool’s current and future goals and objectives, 2) a statement referring to the reliability of the pool’s investment section, and 3) the basis used to present data in the pool’s investment section.

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

4.1e Does MD&A provide an overall analysis of the financial position and results of operations of the system (pool)? [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 overall financial position of the system (pool) has improved or deteriorated? [GASB-S34: 11c; GAAFR, page 569]

Explanation: It is not necessary for the discussion to use the words “improved” or “deteriorated.” A statement that net position has increased or decreased is sufficient.
4.1k Has the system (pool) refrained from addressing in MD&A topics not specifically prescribed by GASB-S 34? [GASB-S37: 4-5; GAAFR, page 568]

Explanation: A system (pool) may address in the MD&A only those topics specifically identified in SGAS 34, paragraph 11. These topics are summarized in questions 4.1c - 4.1e1 of this checklist. A system (pool) is free, however, to provide whatever level of detail they believe appropriate in addressing these particular topics.

FINANCIAL SECTION – BASIC FINANCIAL STATEMENTS

PRELIMINARY CONSIDERATIONS

5.7* Has the system (pool) refrained from making direct adjustments to net position except in those situations specifically contemplated by GAAP? [SLG 10.03; GAAFR, pages 115-6]

Explanation: The statement of changes in plan (pool) net position must be presented using an all-inclusive format. That is, all changes to net position normally should be reported as either additions or deductions rather than as direct adjustments to net position. Two exceptions to this general rule are prior-period adjustments and changes in accounting principle.

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

[SECTION 6, FINANCIAL SECTION GOVERNMENT-WIDE FINANCIAL STATEMENTS, SECTION 7, FINANCIAL SECTION FUND FINANCIAL STATEMENTS SECTION 8, GOVERNMENTAL FUND FINANCIAL STATEMENTS, AND SECTION 9, PROPRIETARY FUND FINANCIAL STATEMENTS, HAVE BEEN OMITTED FROM THESE GUIDELINES]

STATEMENT OF FIDUCIARY NET POSITION

10.6a Are the principal subdivisions of receivables and investments of postemployment benefit plans reported? [GASB-S25: 21; GASB-S43: 19; GASB-S67:15; GAAFR, page 262-3]

FINANCIAL SECTION – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (SSAP)

11.4+ If the system (pool) itself is a component unit, does the SSAP identify the primary government and describe the nature of the relationship? [GASB-S14: 65; GAAFR, pages 325]

FINANCIAL SECTION – NOTE DISCLOSURES (OTHER THAN THE SSAP)

12.3 Do the notes disclose the system’s (pool’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 system (pool) 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 354-6]

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 governments, 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 353-4]

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-S 59:6; GAAFR, pages 359-60]

Explanation: The method selected for disclosing interest rate risk should be the one most consistent with how the system (pool) manages that risk. Further, when the system (pool) 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.

P12.1 Do the notes include appropriate custodial credit risk disclosure for investments associated with securities lending arrangements that are exposed to custodial credit risk? [GASB-S40: 10; GAAFR, pages 357-8]

Explanation: Custodial credit risk disclosure is required only for the amount of investments (if any) that is both uninsured and unregistered and held by either 1) the counterparty or 2) the counterparty’s trust department or agent but not in the system’s (pool’s) name, as follows:

- **Arrangements involving letters of credit (or collateral that may not be pledged or sold absent a default).** Custodial credit risk is a consideration only for the loaned securities themselves.
- **Arrangements involving cash collateral (or collateral that may be pledged or sold absent a default).** Custodial credit risk is a consideration for the collateral, but not for the loaned securities themselves.

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 a government 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.

12.9 Do the notes disclose material violations of finance-related legal and contractual provisions? [NCGA-I6: 4g; GAAFR, page 347]

12.9a If a violation is significant, do the notes identify actions that the system (pool) has taken to address the violation? [GASB-S38: 9; GAAFR, page 347]

12.37 If the system (pool) 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.

12.45 Has the system (pool) refrained from negative disclosure? [GAAFR, page 346]

Explanation: There generally is no need to disclose that a particular situation is not applicable to the system (pool). There are two exceptions to this basic rule:
Situations where GAAP specifically require the disclosure of whether a given set of circumstances apply to the system (pool);

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.

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

**FINANCIAL SECTION – RSI (PENSION AND OTHER POSTEMPLOYMENT BENEFIT SYSTEMS ONLY)**

14.4 If the system reports one or more single-employer or cost-sharing multiple-employer defined benefit pension plans, *that are administered through a trust or equivalent arrangement*, are schedules of required supplementary information with information for each year measured as of the pension plan’s most recent fiscal year-end presented? [GASB-S67: 32; eGAAFR, page 950; eSUP, page 46] If so, do they include:

Information about cost-sharing multiple-employer plans should be presented for the plan as a whole.

**P14.1**

A 10-year schedule that presents the beginning and ending balances for each of the following items: 1) the total pension liability (TPL), 2) the pension plan’s fiduciary net position (FNP), and 3) the net pension liability (NPL)? [GASB-S67:32a; eGAAFR, page 950; eSUP, page 46]

Explanation: As a practical matter, the information for this schedule can be combined with the following schedule (see P14.14) to avoid duplication of the common elements, as would be the case, if each schedule was separately presented and included all data elements.

**P14.14**

A 10-year schedule that contains information about funding progress? [GASB-S67: 32b; eGAAFR, page 950-1; eSUP, page 46]

Explanation: As a practical matter, the information for this schedule can be combined with the previous schedule (see P14.1) to avoid duplication of the common elements, as would be the case, if each schedule was separately presented and included all data elements.

**P14.21**

Is an actuarially determined contribution (ADC) calculated for employers or nonemployer contributing entities? If so:

**P14.22**

Is a 10-year schedule included that provides information about the ADC (regardless of whether that amount is funded) and identifies whether the information relates to the employers, nonemployer contributing entities, or both? [GASB-S67: 32c; eGAAFR, page 951; eSUP, page 46]

Explanation: For purposes of this schedule, each of the required individual items should exclude amounts, if any, to separately finance specific liabilities of an individual employer or nonemployer contributing entity to the pension plan. Examples of separately financed liabilities to a plan include long-term receivables recognized for contractually deferred contributions with separate payment schedules, and cash receipts or long-term receivables for amounts assessed to an individual employer upon joining a multiple-employer plan or for increases in the TPL for changes of benefit terms specific to an employer in a multiple-employer plan.

**P14.29**

If schedules of required supplementary information are presented for a pension plan that is, *administered through a trust or equivalent arrangement*, are the following disclosures to the RSI included when applicable: [GASB-S67: 34]
Factors that significantly affect trends in the reported amounts

Explanation: For example, changes of benefit terms, changes in the size or composition of the population covered by the benefit terms, or the use of different assumptions. The amounts presented for prior years should not be restated for the effects of such changes that occurred subsequent to the end of the fiscal year for which the information is reported.

14.8 Has the system provided a schedule of funding progress with information for 1) the last six consecutive fiscal years for all pension plans that are not administered through a trust or equivalent arrangement and 2) the last three actuarial valuations for all OPEB plans? [GASB-S25: 34, 37; GASB-S43: 35; GASB-TB2006-1: 5; GASB-S50: 6; GAAFR, page 581]

Explanation: When the aggregate method is used for funding purposes, a schedule of funding progress must be presented using the entry age actuarial cost method. Also, for OPEB plans, the actuarial accrued liability should not be reduced by payments that are expected from the federal government under the provisions of Medicare Part D.

Does the system present a schedule of employer contributions with information for 1) the last six consecutive fiscal years for all pension plans that are not administered through a trust or equivalent arrangement and 2) the last three actuarial valuations for all OPEB plans, regardless of the actuarial cost method used? [GASB-S25: 38; GASB-S43: 36; GASB-TB2006-1: 5; GAAFR, page 650]

Explanation: The schedule of employer contributions, like the schedule of funding progress, must present data for each of the three most recent actuarial valuations. In the case of biennial or triennial valuations, data should be presented for each year of the biennium or triennium, because employer contributions may change from one year to the next.

A system (pool) 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 annual required contribution of the employer government is not reduced by such amounts.

For defined benefit pension plans that are not administered through a trust or equivalent arrangement and all OPEB plans, do disclosures that discuss factors that significantly affect the identification of trends in the amounts reported in the required schedules accompany the schedules presented as required supplementary information, if applicable? [GAAFR, page 651]

Explanation: The letter of transmittal, MD&A, or actuarial section may indicate changes that should be disclosed in the notes to the required supplementary information. Such factors may include, but are not limited to, the following: changes in benefit provisions, the size or composition of the population covered by the plan, and the actuarial methods and assumptions used.

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

[SECTION 15, FINANCIAL SECTION – SUPPLEMENTARY INFORMATION, HAS BEEN OMITTED FROM THESE GUIDELINES]

INVESTMENT SECTION

Does the Report on Investment Activity discuss the system’s (pool’s) investment objectives? [GAAFR, pages 652 and 697]

Explanation: Pension plans (pools) are strongly encouraged to present rates of return using a time-weighted rate of return methodology based upon market values. Note that any reference to a specific set of standards (e.g., the CFA Institute's Global Investment Performance Standards [GIPS]) should only be made in strict conformity with the guidelines set by the establishing organization.

Does the investment section contain a brief outline of the system’s (pool’s) investment policies? [GAAFR, pages 652 and 697]
ACTUARIAL SECTION (PENSION AND OTHER POSTEMPLOYMENT BENEFIT SYSTEMS ONLY)

P16.7  Does the investment section contain a schedule of investment results? [GAAFR, page 652 and 697]

P17.2  If the system reports one or more defined benefit pension plans that are administered through a trust or equivalent arrangement does the information in the actuarial section for those plans focus on the actuarial valuation used for funding purposes? [eGAAFR, page 953; eSUP, page 48]

Explanation: Plans that fund benefits on a statutory basis, rather than on an actuarial basis, still often have an actuarially determined contribution (ADC) calculated to serve as a point of reference for evaluating the adequacy of the statutory contributions. Pension plans in that position also may wish to present this same information, even though contributions are not based on an ADC.

P17.9*  Does the actuarial section include a certification letter from the actuary or actuaries primarily responsible for the valuation? [GAAFR, page 654; eGAAFR, page 954; eSUP, page 49]

Explanation: Cost-sharing and single-employer pension plans that are administered through a trust or equivalent arrangement may also wish to include the letter for the actuarial valuation used for financial reporting purposes. That option sometimes would not be practical for agent plans, given the extremely individualized nature of each valuation.
If the system reports one or more defined benefit pension plans that are administered through a trust or equivalent arrangement does the actuarial certification letter expressly state that the assumptions and methods used for funding purposes meet the parameters set by Actuarial Standards of Practice (ASOPs) or, if not, a description of how they depart from those parameters? [eGAAFR, page 954; eSUP, page 49]

Explanation: If a cost-sharing or single employer pension plan that is administered through a trust or equivalent arrangement elects to include the letter for the actuarial valuation used for financial reporting purposes, that letter should expressly state that the assumptions and methods used for financial reporting purposes meet the parameters set by ASOPs and generally accepted accounting principles (GAAP) applicable in the United States of America as promulgated by the GASB or, if not, a description of how they depart from those parameters and principles. It also should include a list of supporting schedules, appearing in the financial section, which were prepared by the actuary.

If the system reports one or more defined benefit OPEB plans or one or more defined benefit pension plans that are not administered through a trust or equivalent arrangement does the actuarial certification letter discuss the funding objective of the plan? [GAAFR, page 654; eGAAFR, pages 510-1]

Does the letter discuss progress toward achieving the funding objective (if not yet realized)?

Does the summary of actuarial assumptions indicate recent changes, if any, in the nature of the plan, the actuarial methods used, the actuarial assumptions used, or the actuary retained?

Does the summary of actuarial assumptions indicate any other specific assumptions or significant events that have a material impact on the actuarial valuation results?

Does the actuarial section include a schedule of retirants and beneficiaries added to and removed from the rolls? [GAAFR, page 656; eGAAFR, page 955; eSUP, page 50]

Explanation: The Schedule should include both the number of retirants and beneficiaries and the related total dollar amounts. Also, plans with several different classifications of employees may wish to present this information separately for each group.

For all OPEB plans and pension plans that are not administered through a trust or equivalent arrangement the minimum number of years for the information on this schedule is six rather than ten.

Does the actuarial section include a description of any changes in plan provisions and specifically indicate that those changes were taken into account in the most recent actuarial valuation? [GAAFR, page 656-7; eGAAFR, page 956; eSUP, page 51]

For defined benefit pension plans that are administered through a trust or equivalent arrangement does the actuarial section include a schedule of funding progress for each of the ten most recent years, based on the actuarial methods and assumptions used for funding purposes? [eGAAFR, page 956; eSUP, page 51]

Are the amounts in the actuarial section reasonably related to amounts, if any, found in other sections of the CAFR?

**STATISTICAL SECTION**

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 as well as individual schedules;
• 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 system (pool) participated in the Certificate of Achievement for Excellence in Financial Reporting Program in the immediately preceding fiscal year, has the system (pool) adequately remedied or otherwise responded to the comments and suggestions generated by the previous review? (If not, please specify.)