

GOVERNMENT FINANCE OFFICERS ASSOCIATION
CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN
FINANCIAL REPORTING

GENERAL PURPOSE PREPARER CHECKLIST

This checklist is designed to assist in the preparation of comprehensive annual financial reports (CAFRs). It is available in electronic form at GFOA's website (www.gfoa.org) under the heading *Award Programs* in the *Certificate of Achievement for Excellence in Financial Reporting* section.

ADDITIONAL MATERIAL FOR PENDING GASB PRONOUNCEMENTS

The checklist covers all Governmental Accounting Standards Board (GASB) pronouncements that have been issued as final documents. It includes the changes necessary because of GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. For a government that is not yet required to implement and has not early implemented GASB Statement No. 43 and/or Statement No. 45, the relevant questions are included in Part 1 of the *Checklist Supplement* following section 19. Conversely, a government that early implements or is planning for the implementation of Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*; GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*; and GASB Statement No. 52, *Land and Other Real Estate held as Investments by Endowments*, should refer to Part 2 of the *Checklist Supplement* for the changes necessary because of these pronouncements.

The checklist is designed to provide comprehensive guidance for financial statement preparers. The use of this checklist, however, does not guarantee that a given CAFR will be awarded the Certificate of Achievement for Excellence in Financial Reporting.

This particular checklist includes all sections of questions that are applicable to a general-purpose government. (A specialized checklist is available for school districts.) It excludes the sections that are applicable only to the specialized checklist for pension and other postemployment benefit systems and cash and investment pools. Accordingly, breaks in the numerical sequence of the sections presented in this checklist simply reflect the omission of those sections that are only applicable to those specialized checklists.

Indentation indicates that a given question is dependent upon a positive response to the preceding question. Accordingly, preparers need not consider the indented questions if the answer to the lead-in question is not positive.

Compliance with certain requirements of generally accepted accounting principles (GAAP) cannot be determined simply by examining a financial report. Questions about such items have been omitted from this checklist, except in those cases where answers to questions in Section IV of the Certificate Program Application Form provide the background needed to respond meaningfully. A plus sign (+) indicates those specific questions for which needed information should be available on the application form. Additionally, information has been provided in the form of *italicized* comments for GAAP requirements not addressed in the question. If this guidance is applicable, it must be implemented.

An asterisk (*) designates specific items that of themselves may disqualify a report from being awarded the Certificate of Achievement for Excellence in Financial Reporting. Other items also may disqualify a report from receiving the Certificate. Clarification of certain items can be found in an explanation that immediately follows the related checklist question or italicized comment.

The CAFR will be graded on the following categories, when applicable to the government:

- Cover, table of contents, and formatting
- Introductory section
- Report of the independent auditor
- Management's discussion and analysis (MD&A)
- Basic financial statements (preliminary considerations)
- Government-wide financial statements
- Fund financial statements (general considerations)
- Governmental fund financial statements
- Proprietary fund financial statements
- Fiduciary fund financial statements
- Summary of significant accounting policies (SSAP)
- Note disclosure (other than the SSAP and pension-related disclosures)
- Pension and other postemployment benefit related note disclosures
- Required supplementary information (RSI)
- Combining and individual fund information and other supplementary information
- Statistical section
- Other considerations

Abbreviations Used in this Checklist

APB	-	Accounting Principles Board Opinion
<i>Audits of State and Local Governments</i>	-	<i>Audits of State and Local Governments</i> , American Institute of Certified Public Accountants, May 2007
FASB - I	-	Financial Accounting Standards Board Interpretation
FASB - S	-	Financial Accounting Standards Board Statement
2005 GAAFR	-	<i>Governmental Accounting, Auditing, and Financial Reporting</i> , GFOA 2005
GAAFR Review	-	<i>GAAFR Review</i> , GFOA's Monthly Newsletter on Governmental Accounting, Auditing, and Financial Reporting
GASB - I	-	GASB Interpretation
GASB - S	-	GASB Statement
GASB - TB	-	GASB Technical Bulletin
Q&A	-	<i>2007-2008 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 “2005 GAAFR,” “GAAFR Review,” “Q & A,” and *Audits of State and Local Governments*, 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 “2005 GAAFR” and “GAAFR Review” are to pages in those publications. For “Q&A,” the references are to the applicable chapters and questions in that publication. For *Audits of State and Local Governments*, the references are to the chapter and specific paragraph.

Yes No N/A

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|-------|-------|-------|-------|---|
| _____ | _____ | _____ | 10.7b | If an OPEB plan is reported, are appropriate amounts identified as <i>assets held in trust for OPEB benefits</i> ? [GASB-S43: 25] |
| _____ | _____ | _____ | 10.7c | If the government uses an investment trust fund to account for an external investment pool that it sponsors, is a line item reported for <i>assets held in trust for pool participants</i> ? [GASB-S31: 18; 2005 GAAFR, page 195] |
| _____ | _____ | _____ | 10.8 | Do assets equal liabilities in agency funds? [GASB-S34; 110; 2005 GAAFR, page 195] |
| _____ | _____ | _____ | 10.9 | Has the government refrained from reporting an actuarial accrued liability in a pension (and other employee benefit) trust fund? [GASB-S25: 19a; 2005 GAAFR, page 195] |

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

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|-------|-------|-------|-------|--|
| _____ | _____ | _____ | 10.10 | Is the statement segregated into two sections: additions and deductions? [GASB-S34: 109; GASB-S43: 26; 2005 GAAFR, page 196] |
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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 assets.

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| _____ | _____ | _____ | 10.11 | 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; 2005 GAAFR, page 196] |
| _____ | _____ | _____ | 10.11a | 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; 2005 GAAFR, page 196] |
| _____ | _____ | _____ | 10.12 | Has the government refrained from reporting realized investment gains or losses separately from unrealized investment gains and losses? [GASB-S31: 13; 2005 GAAFR, page 196] |

Explanation: Investment trust funds may report realized gains and losses separately from unrealized amounts *in their separately issued financial statements*. Otherwise no such distinction may be made on the face of the financial statements. Note disclosure, however, is permitted.

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| _____ | _____ | _____ | 10.13 | 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; 2005 GAAFR, page 196] |
| _____ | _____ | _____ | 10.14 | Has the government refrained from including agency funds? [GASB-S34: 110; 2005 GAAFR, page 196] |

FINANCIAL SECTION – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (SSAP)

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|-------|-------|-------|-------|---|
| _____ | _____ | _____ | 11.1* | 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; 2005 GAAFR, page 199] |
|-------|-------|-------|-------|---|

Among other matters, the SSAP should address any of the following situations: 1) the selection of an accounting treatment when GAAP permit more than one approach, 2)

Yes No N/A

accounting practices unique to state and local governments, and 3) unusual or innovative applications of GAAP. [APB 22: 12; 2005 GAAFR, pages 199-200]

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| _____ | _____ | _____ | 11.2 | 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; 2005 GAAFR, page 200] |
| _____ | _____ | _____ | 11.3 | Does the SSAP discuss the financial reporting entity? [GASB-S14: 61, 2005 GAAFR, pages 199-200] If so, does that discussion include: |
| _____ | _____ | _____ | 11.3a | A description of the component units included in the financial reporting entity? |
| _____ | _____ | _____ | 11.3b | A description of the relationship between component units and the primary government? |
| _____ | _____ | _____ | 11.3c | A discussion of the criteria for including component units? |
| _____ | _____ | _____ | 11.3d | A discussion of how component units are reported (i.e., blended, discretely presented, or as a fiduciary fund)? [Q&A 4.39.5] |
| _____ | _____ | _____ | 11.3e | Information on how to obtain the separately issued financial statements of component units? |
| _____ | _____ | _____ | 11.4+ | If the government itself is a component unit, does the SSAP identify the primary government and describe the nature of the relationship? [GASB-S14: 65; 2005 GAAFR, page 200] |

The SSAP also should disclose the relationship that exists between the government and any related organizations. [GASB-S14: 68; 2005 GAAFR, page 200]

Explanation: A “related organization” is one for which the government appoints the voting majority of the board members, but does not have either 1) the ability to impose its will on the organization or 2) a relationship of financial benefit or burden with the organization.

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| _____ | _____ | _____ | 11.5 | Does the SSAP disclose the measurement focus and basis of accounting used in preparing the government-wide financial statements? [GASB-S34: 115b; 2005 GAAFR, page 201] |
| _____ | _____ | _____ | 11.6 | Does the SSAP disclose when revenue is considered to be <i>susceptible to accrual</i> in governmental funds? [NCGA-S1: 69; 2005 GAAFR, page 201] |
| _____ | _____ | _____ | 11.6a | Does this disclosure specifically identify the availability period used for revenue recognition? [GASB-S38: 7; 2005 GAAFR, page 201] |
| _____ | _____ | _____ | 11.6b | Does this disclosure specify the major revenue sources that meet the availability criterion? [2005 GAAFR, page 201] |
| _____ | _____ | _____ | 11.7 | Does the SSAP describe the government’s policy for eliminating internal activity in the government-wide statement of activities? [GASB-S34: 115c; 2005 GAAFR, pages 201-2] |

Explanation: The SSAP should disclose how the government distinguishes overhead costs (which are eliminated in the process of consolidation) from interfund services provided and used between functions (which are *not* eliminated in the process of consolidation).

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| _____ | _____ | _____ | 11.8 | Does the SSAP address the government’s accounting policies for capital assets? [GASB-S34: 115e; 2005 GAAFR, page 202] |
| _____ | _____ | _____ | 11.8a | Does the SSAP disclose the capitalization threshold(s) for capital assets? [2005 GAAFR, page 202] |

Yes No N/A

____ ____ ____ 11.8b Does the SSAP disclose the method(s) used to calculate depreciation expense? [2005 GAAFR, page 202]

____ ____ ____ 11.8c Does the SSAP disclose the estimated useful lives of capital assets? [2005 GAAFR, page 202]

Explanation: The information provided concerning the useful lives of capital assets should be sufficiently detailed to be meaningful. To meet this objective, information on the useful lives of capital assets typically is disclosed separately for each major class of capital assets.

____ ____ ____ 11.8d If the government has elected to use the modified approach for one or more networks or subsystems of infrastructure assets, does the SSAP describe the modified approach? [2005 GAAFR, page 202]

____ ____ ____ 11.9 Does the SSAP describe the types of transactions that are reported as program revenues? [GASB-S34: 115f; 2005 GAAFR, page 203]

____ ____ ____ 11.10 If the government has allocated indirect costs without using a separate column in the government-wide statement of activities (i.e., because the allocation is automatic), does the SSAP disclose the fact that certain indirect costs are included in the program expense reported for individual functions and activities? [GASB-S34: 115f; 2005 GAAFR, page 203]

____ ____ ____ 11.11 Does the SSAP disclose the government's policy for defining operating and nonoperating revenues and expenses in proprietary funds? [GASB-S34: 115g; 2005 GAAFR, page 203]

____ ____ ____ 11.12 If the government reports any enterprise funds, does the SSAP disclose whether the government has implemented private-sector guidance issued after November 30, 1989, in reporting business-type activities and enterprise funds? [GASB-S34: 115d; 2005 GAAFR, page 203]

____ ____ ____ 11.13 If cash flows reporting focuses on both *cash* and *cash equivalents*, does the SSAP define *cash equivalents*? [APB 22: 12; 2005 GAAFR, page 204]

If both restricted and unrestricted resources are to be used for the same purpose (e.g., a construction project), the SSAP should disclose the flow assumption used to determine the portion of expenses paid from restricted resources. [GASB-S34: 115h; 2005 GAAFR, page 204]

The notes should disclose the amount of restricted net assets that are reported as such because of restrictions imposed by enabling legislation. [GASB-S46: 6]

____ ____ ____ 11.14 Does the SSAP indicate how investments are valued? [APB 22: 12; 2005 GAAFR, page 204]

If the government takes advantage of the option to report certain investments at amortized cost rather than at fair value, the SSAP should indicate the specific types of investments so valued. [2005 GAAFR, page 204]

If the government uses some basis other than quoted market value to estimate fair value, the methods and significant assumptions used for this purpose should be disclosed. [GASB-S31: 15a; 2005 GAAFR, page 204]

If the government must estimate the fair value of its position in a governmental external investment pool, the SSAP should disclose both the methods and significant assumptions used for making the estimate and the reason an estimate was needed. [GASB-S31: 15e; 2005 GAAFR, page 204]

Yes No N/A

If income from investments reported in one fund is assigned directly to another fund, the SSAP should disclose this fact. [GASB-S31: 15f; 2005 GAAFR, page 204]

_____ 11.15 Does the SSAP disclose the method used to report inventories and prepaids in governmental funds (i.e., consumption method or purchases method)? [APB 22: 12; 2005 GAAFR, page 205]

_____ 11.16 Does the SSAP disclose how inventories are valued? [APB 22: 12; 2005 GAAFR, page 205]

Explanation: Inventories should be valued at cost in governmental funds. In all other situations, it is appropriate to value inventories at the lower of cost or market.

_____ 11.16a Does the SSAP disclose the method used to determine the cost of inventories (i.e., specific identification; weighted average; first-in, first-out; last-in, first out)? [2005 GAAFR, page 205]

_____ 11.17 If the government presents major governmental funds or major enterprise funds, does the SSAP disclose the activities reported in those funds? [GASB-S38: 6; 2005 GAAFR, page 201]

_____ 11.17a Except for the general fund, is this description specific to the government rather than generic? [GASB-S38: 6; 2005 GAAFR, page 201]

_____ 11.18 If the government presents internal service funds or fiduciary funds, does the SSAP disclose the activities reported in those fund types? [GASB-S38: 6; 2005 GAAFR, page 201]

_____ 11.18a Is this description specific to the government rather than generic? [GASB-S38: 6; 2005 GAAFR, page 201]

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

_____ 12.1 If the government presents required budgetary comparisons as basic governmental fund financial statements, do the notes either 1) disclose the basis of budgeting, if different from GAAP, or 2) state that GAAP serve as the basis of budgeting? [NCGA-16: 5; 2005 GAAFR, page 205]

_____ 12.1a If the basis of budgeting differs from GAAP, is a reconciliation provided in the notes (if not presented on the face of the statement)? [NCGA-I10: 25; 2005 GAAFR, page 205]

_____ 12.1a1 Is the reconciliation between GAAP and the basis of budgeting sufficiently detailed? [NCGA-I10: 25; 2005 GAAFR, page 206]

Explanation: GAAP describe four categories of budget-versus-actual differences: basis differences, timing differences, perspective differences, and entity differences. These categories provide the *minimum level of detail* required by GAAP. That is, if a fund had items from each of these categories, the reconciliation would need to present *at least* four reconciling amounts.

If the government presents required budgetary comparisons as a basic governmental fund financial statement, the notes should disclose excesses of expenditures over appropriations

Yes No N/A

in the general fund and annually budgeted major special revenue funds. [GASB-S34: 131, note 56; 2005 GAAFR, page 205]

Regardless of whether the government presents required budgetary comparisons as basic governmental fund financial statements or as RSI, the notes to the financial statements should disclose any material violations of the budget. [GASB-S38: 44; GASB-S34: 254; 2005 GAAFR, page 205]

12.2 Do the notes disclose the legal and contractual provisions governing cash deposits with financial institutions? [GASB-S3: 65-6; 2005 GAAFR, pages 206-9]

The notes should disclose material violations of these provisions. [GASB-S3: 66; 2005 GAAFR, page 224]

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, the notes should 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; 2005 GAAFR, page 207]

Explanation: GAAP formerly required that the bank balance of deposits with financial institutions be categorized into three categories of custodial credit risk. SGAS 40 now requires that only the amount (if any) of uninsured deposits that is 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, be disclosed.

12.3 Do the notes disclose the government's policy for custodial credit risk associated with deposits or indicate that it does not have such a policy? [GASB-S40: 6; 2005 GAAFR, page 207]

Losses on deposits and subsequent recoveries should be disclosed if not visible in the financial statements themselves. [GASB-S3: 75; 2005 GAAFR, pages 206-7]

If the government participates in an external investment pool and the pool is not registered with the Securities and Exchange Commission, the notes should disclose the nature of any regulatory oversight of the pool and state whether the fair value of its position in the pool is the same as the value of the pool shares. [GASB-S31: 15c; 2005 GAAFR, page 209]

12.4 If the government has elected to separately disclose realized and unrealized gains and losses on investments in the notes, has it indicated 1) that the calculation of realized gains and losses is independent of the calculation of the change in the fair value of investments, and 2) that realized gains and losses of the current period include unrealized amounts from prior periods? [GASB-S31: 15; 2005 GAAFR, page 209]

12.5 Do the notes disclose the legal and contractual provisions governing investments? [GASB-S3: 65-66; 2005 GAAFR, page 210]

The notes should disclose material violations of these provisions. [GASB-S3: 66; 2005 GAAFR, page 224]

Yes No N/A

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, the notes should 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; 2005 GAAFR, page 210]

Explanation: GAAP formerly required that the balance of investments evidenced by securities be categorized into three categories of custodial credit risk. SGAS 40 now requires that only the amount (if any) of uninsured and unregistered investments evidenced by securities that are held by either 1) the counterparty or 2) the counterparty's trust department or agent but not in the government's name, be disclosed.

_____ 12.6 Has the government refrained from providing custodial credit risk disclosures for any investments that are not subject to custodial credit risk because they are *not* evidenced by securities? [GASB-S40: 9; 2005 GAAFR, pages 210-1]

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.

When a government's investments are exposed to custodial credit risk, credit risk, concentration risk, interest rate risk, or foreign currency risk, the government's policy regarding each such risk should be disclosed (or an indication should be made that the government does not have a policy regarding a risk to which it is exposed). [GASB-S40: 6; 2005 GAAFR, page 210]

Explanation: A government generally should disclose the risks related to its deposits and investments for the primary government as a whole. However, disclosure by governmental and business-type activities, individual major funds, nonmajor funds in the aggregate, and fiduciary fund types would be necessary if risk exposure were significantly greater at one of these levels than for the primary government as a whole.

_____ 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; 2005 GAAFR, pages 212-4]

_____ 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; 2005 GAAFR, pages 214-6]

Explanation: The method selected for disclosing interest rate risk should be the one most consistent with how the government manages that risk.

The notes should 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; 2005 GAAFR, pages 216-7]

The government should disclose the value in U.S. dollars of any investments held at the end of the year denominated in a foreign currency. Separate disclosure is required for

Yes No N/A

each separate currency denomination as well as for each different type of investment within a currency denomination. [GASB-S40: 17; 2005 GAAFR, page 209]

A government should 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, as well as investments in mutual funds, external investment pools, and other pooled investments). [GASB-S40: 11; 2005 GAAFR, page 214]

Losses on investments and subsequent recoveries should be disclosed if not visible in the financial statements themselves. [GASB-S3: 75; 2005 GAAFR, page 212]

_____ 12.8 If some investments are valued on a basis other than fair value (e.g., amortized cost), do the notes disclose the fair value of such investments (or state that there is no material difference from fair value)? [GASB-S3: 68; 2005 GAAFR, page 204]

If the government is party to a derivative as of the close of the fiscal period and the derivative is not reported at fair value on the face of the financial statements, the notes should disclose that fact. Also, the notes should disclose 1) the government's objective for entering into the derivative, 2) the specific types of derivatives used, 3) the significant terms of derivatives, as applicable (e.g., notional, face, or contract amount; interest rates, including caps, floors, or collars; embedded options; effective date; scheduled termination or maturity; and initial cash paid or received), and 4) the fair value of derivatives. [GASB-TB 03-1; 2005 GAAFR, page 218]

If fair value is not based on quoted market prices, the method used to estimate fair value along with all significant assumptions should be disclosed. [2005 GAAFR, page 218]

Explanation: It is acceptable to discount cash flows by the zero-coupon and par-value methods. To determine the fair value of a derivative with an embedded option, it is acceptable to use an option pricing model, such as the Black-Scholes model, that considers probabilities, volatilities, time, underlying prices, and other variables.

When a government enters into a derivative to make a variable-rate debt issue pay a synthetic interest rate, the notes should disclose the derivative's net cash flow in addition to the debt service requirements to maturity of the associated debt. [GASB-TB 03-1: 9; 2005 GAAFR, page 218]

A government must disclose its exposure to credit risk, interest rate risk, basis risk, termination risk, rollover risk, and market-access risk, as applicable. [GASB-TB 03-1: 10; 2005 GAAFR, page 219]

Explanation: Credit risk is the risk that a counterparty will not fulfill its obligations. When a government is exposed to credit risk, it should disclose the following: credit ratings, maximum amount of loss (excluding collateral or other security) due to credit risk, collateral or other security, information on any master netting arrangements to mitigate credit risk, and the extent of diversification among counterparties.

Interest rate risk arises when the practical effect of a derivative is to increase the risk of loss resulting from changes in interest rates (e.g., a swap from a fixed rate to a variable rate). In such cases, the relevant facts should be disclosed.

Basis risk arises when different indexes are used in connection with a derivative (e.g., both LIBOR and BMA). In such cases, the government would need to disclose both the derivative's payment terms and the payment terms of the government's associated debt.

Termination risk arises when the unscheduled termination of a derivative could have an adverse effect on the government's asset or liability strategy or could lead to potentially significant unscheduled payments. When termination risk is present, a government would need to disclose the following: any termination events that have occurred, dates that a derivative may be terminated, and out-of-the-ordinary termination events contained in contractual documents.

Yes No N/A

Rollover risk arises when a derivative associated with a government's variable-rate debt does not extend all the way to the maturity date of the associated debt, thereby creating a gap in the protection otherwise afforded by the derivative. When rollover risk arises, a government would need to disclose both the maturity of the derivative and the maturity of the associated debt.

Market-access risk arises when a government enters into a derivative in anticipation of entering the credit market at a later date, but may ultimately be prevented from doing so, thereby frustrating the purpose of the derivative. When market-access risk arises, a government would need to describe the circumstances.

The notes should disclose contingent liabilities. [GASB-S10: 58 (referenced in 64-5); 2005 GAAFR, page 220]

The notes should disclose any guarantees of indebtedness, even if the likelihood of loss is considered to be remote. [FASB-S5: 12; 2005 GAAFR, page 220]

The notes should disclose any encumbrances not reported on the face of the governmental fund balance sheet. [NCGA-S1: 92; 2005 GAAFR, page 220]

_____	_____	_____	12.9	Do the notes disclose subsequent events? [NCGA-I6: 4d; 2005 GAAFR, page 220]
_____	_____	_____	12.10	Do the notes disclose material violations of finance-related legal and contractual provisions? [NCGA-I6: 4g; 2005 GAAFR, page 224]
_____	_____	_____	12.10a	If a violation is significant, do the notes identify actions that the government has taken to address the violation? [GASB-S38: 9; 2005 GAAFR, page 224]
_____	_____	_____	12.11	Do the notes disclose debt service to maturity for all outstanding debt? [NCGA-I6: 4h; GASB-S38: 10; 2005 GAAFR, page 225]
_____	_____	_____	12.11a	Does the disclosure present debt service payments separately for each of the next five years? [GASB-S38: 10a; 2005 GAAFR, page 225]
_____	_____	_____	12.11b	Are the principal and interest components of debt service presented separately? [GASB-S38: 10a; 2005 GAAFR, page 225]

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.

_____	_____	_____	12.11c	At a minimum, are debt service payments for subsequent years reported in five-year increments? [GASB-S38: 10a; 2005 GAAFR, page 225]
_____	_____	_____	12.11d	If the government has variable rate debt outstanding, do the notes disclose the terms by which interest rates change? [GASB-S38: 10b; 2005 GAAFR, page 225]
_____	_____	_____	12.12	If the government is the lessee in a capital lease, do the notes disclose that fact? [NCGA-S5: 27; 2005 GAAFR, page 225] If so:
_____	_____	_____	12.12a	Do the notes describe the lease arrangements? [NCGA-S5: 27; 2005 GAAFR, page 225]
_____	_____	_____	12.12b	Do the notes disclose the gross amount of assets acquired under capital leases by major asset class? [NCGA-S5: 27; FASB-S13: 16ai; 2005 GAAFR, page 225]
_____	_____	_____	12.12c	Do the notes disclose the minimum future lease payments in total and for each of the next five years? [NCGA-S5: 27; FASB-S13: 16aai; GASB-S38: 11; 2005 GAAFR, page 225]

Yes	No	N/A		
_____	_____	_____		
_____	_____	_____	12.12c1	At a minimum, are minimum future lease payments for subsequent years reported in five-year increments? [GASB-S38: 11; 2005 GAAFR, page 225]
_____	_____	_____	12.12c2	Is the amount of imputed interest presented as a deduction to reduce the net minimum lease payments to their present value? [NCGA-S5: 27; FASB-S13: 16a; 2005 GAAFR, page 225]
				<i>If the government is the lessee in an operating lease, the notes should describe the general leasing arrangements and current-year rental costs, as well as any contingent rentals. [NCGA-S5: 27; FASB-S13: 16c-d; 2005 GAAFR, page 225]</i>
				<i>If the government is the lessee in a noncancellable operating lease of more than one year, the notes should disclose the future minimum rental payments in total and for each of the next five years. Minimum future lease payments for subsequent years should be reported in five-year increments. [NCGA-S5: 27; FASB-S13: 16b; GASB-S38: 11; 2005 GAAFR, page 225]</i>
_____	_____	_____	12.13	If the government is the lessor in a capital lease, do the notes disclose that fact? [NCGA-S5: 27; 2005 GAAFR, page 225] If so:
_____	_____	_____	12.13a	Do the notes disclose the total future minimum lease payment receivable (reduced by executory costs and uncollectibles)? [NCGA-S5: 27; FASB-S91: 25d; 2005 GAAFR, page 225]
_____	_____	_____	12.13b	Do the notes disclose the minimum lease payments for each of the five succeeding fiscal years? [NCGA-S5: 27; FASB-S13: 23a; 2005 GAAFR, page 226]
				<i>If the government is the lessor in a capital lease, the notes should disclose, as applicable, 1) any unguaranteed residual value accruing to the government, 2) any unearned income, and 3) the total of any contingent rentals of the period. [NCGA-S5: 27; FASB-S91: 25; FASB-S13: 23a; 2005 GAAFR, pages 225-6]</i>
_____	_____	_____	12.14	If the government is the lessor in an operating lease, do the notes disclose both the cost and carrying amount of leased assets and depreciation on those assets? [NCGA-S5: 27; FASB-S13: 23b; 2005 GAAFR, page 226]
_____	_____	_____	12.15	If the government is the lessor in a noncancellable operating lease, do the notes disclose minimum future rentals in the aggregate and for each of the five succeeding fiscal years? [NCGA-S5: 27; FASB-S13: 23b; 2005 GAAFR, page 226]
_____	_____	_____	12.16	If the government has significant commitments (e.g., construction), do the notes disclose them? [NCGA-I6: 4j; 2005 GAAFR, page 226]
_____	_____	_____	12.17	Do the notes furnish information on the primary government's capital assets? [GASB-S34: 116; 2005 GAAFR, page 226]
_____	_____	_____	12.17a	Do the notes present all required information separately for each major class of capital assets? [GASB-S34: 116; 2005 GAAFR, page 226]
_____	_____	_____	12.17b	Do the notes report capital assets associated with <i>governmental activities</i> separately from capital assets associated with <i>business-type activities</i> ? [GASB-S34: 116; 2005 GAAFR, page 226]
_____	_____	_____	12.17c	Do the notes report nondepreciable capital assets separately from depreciable capital assets? [GASB-S34: 116; 2005 GAAFR, page 226]

Yes	No	N/A		
_____	_____	_____	12.17d	Do the notes present accumulated depreciation as a separate item? [APB12: 5; 2005 GAAFR, page 226]
_____	_____	_____	12.17e	Do the notes disclose changes in capital asset balances (including accumulated depreciation) during the period? [GASB-S34: 117b-c; 2005 GAAFR, page 226]
_____	_____	_____	12.17f	Do the notes disclose the amount of depreciation charged to each governmental function during the period in the government-wide statement of activities? [GASB-S34: 117d; 2005 GAAFR, page 226]

Explanation: Depreciation expense of internal service funds that are closed to *governmental activities* need *not* be allocated by function, but may be reported instead simply as a separate item in its own right.

If a capital asset was permanently impaired during the period, the carrying value of that asset should be adjusted to reflect the impairment. The cost of restoration should not be netted against associated insurance recoveries. [GASB-S42: 16 and 21; 2005 GAAFR, pages 259-60]

If a loss resulted from the impairment of a capital asset and the amount of the loss is not evident on the face of the financial statements, a general description, the amount, and the classification of the loss should be disclosed. [GASB-S42: 17; 2005 GAAFR, page 227]

The amount and classification of insurance recoveries should be disclosed if not otherwise evident on the face of the financial statements. [GASB-S42: 21; 2005 GAAFR, page 227]

The carrying amount of capital assets that are idle as of the end of the fiscal period as the result of either a temporary or a permanent impairment should be disclosed. [GASB-S42: 20; 2005 GAAFR, page 227]

_____	_____	_____	12.18	Do the notes furnish information on the primary government's long-term liabilities? [GASB-S34: 119; 2005 GAAFR, page 227]
_____	_____	_____	12.18a	Do the notes provide all required information separately for each major class of long-term liabilities? [GASB-S34: 116; 2005 GAAFR, page 227]
_____	_____	_____	12.18b	Do the notes report long-term liabilities associated with <i>governmental activities</i> separately from long-term liabilities associated with <i>business-type activities</i> ? [GASB-S34: 116; 2005 GAAFR, page 227]
_____	_____	_____	12.18c	Do the notes report separately the portion of each long-term liability that is due within one year of the date of the statement of net assets? [GASB-S34: 119c; 2005 GAAFR, page 227]
_____	_____	_____	12.18d	Do the notes disclose which governmental funds typically have been used in prior years to liquidate long-term liabilities other than debt? [GASB-S34: 119d; 2005 GAAFR, page 227]
_____	_____	_____	12.18e	Do the notes disclose changes in long-term liability balances during the period? [GASB-S34: 119; 2005 GAAFR, page 227]
_____	_____	_____	12.18e1	Do the notes report these changes gross rather than net? [GASB-S34: 119b; 2005 GAAFR, page 227]
_____	_____	_____	12.19	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; 2005 GAAFR, page 227]

Yes	No	N/A	
_____	_____	_____	
			12.20 Do the notes provide information on interfund balances and transfers? [GASB-S38: 14-5; 2005 GAAFR, pages 227-8] If so:
			12.20a 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; 2005 GAAFR, pages 227-8]
			12.20b Do the notes disclose the purpose of interfund balances? [GASB-S38: 14b; 2005 GAAFR, page 228] <i>The government should disclose interfund balances that are not expected to be repaid within one year from the date of the financial statement. [GASB-S38: 14c; 2005 GAAFR, page 228]</i>
			12.20c 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; 2005 GAAFR, page 228]
			12.20d Do the notes disclose the principal purposes of interfund transfers? [GASB-S38: 15b; 2005 GAAFR, page 228] <i>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; 2005 GAAFR, page 228]</i> <i>The notes should disclose any significant transactions between the primary government and its discretely presented component units. [NCGA-I6: 5 (related party transactions); 2005 GAAFR, page 228]</i>
			12.21 If the government has been the recipient of an endowment, do the notes describe the endowment? [GASB-S34: 121; 2005 GAAFR, page 228] If so:
			12.21a Do the notes disclose the amounts of net appreciation on investments that are available for expenditure? [GASB-S34: 121a; 2005 GAAFR, page 228]
			12.21b Do the notes explain how available amounts are reflected in net assets? [GASB-S34: 121a; 2005 GAAFR, page 228]
			12.21c Do the notes disclose the state law governing the ability to spend net appreciation? [GASB-S34: 121b; 2005 GAAFR, page 228]
			12.21d Do the notes disclose the policy for authorizing and spending investment income? [GASB-S34: 121c; 2005 GAAFR, page 228]
			12.22 Do the notes discuss the government's risk financing activities? [GASB-S10: 77; 2005 GAAFR, pages 228-9] If so:
			12.22a Do the notes describe the types of risk faced by the government? [GASB-S10: 77a; 2005 GAAFR, page 228]
			12.22a1 Do the notes describe how each type of risk is being handled? [GASB-S10: 77a; 2005 GAAFR, page 228]

Yes No N/A

If there has been any significant reduction in insurance coverage from the previous year, this reduction should be disclosed by risk category. [GASB-S10: 77b; 2005 GAAFR, page 228]

_____	_____	_____	12.22b	Do the notes indicate <i>whether</i> the amount of settlements exceeded insurance coverage in each of the past three years? [GASB-S10: 77b; 2005 GAAFR, page 228]
_____	_____	_____	12.22c	If the government participates in a risk pool, do the notes describe the arrangement? [GASB-S10: 77c; 2005 GAAFR, page 228]
_____	_____	_____	12.22c1	Do the notes specifically address the rights and responsibilities of both the government and the pool? [GASB-S10: 77c; 2005 GAAFR, page 228]
_____	_____	_____	12.22d	If the government retains some risk of loss, do the notes mention this fact? [GASB-S10: 77d; 2005 GAAFR, page 229] If so:
_____	_____	_____	12.22d1	Do the notes describe what the liability for unpaid claims represents and how it is calculated? [GASB-S30: 10; 2005 GAAFR, page 229]
_____	_____	_____	12.22d1a	Do the notes mention whether nonincremental claims adjustment expenses have been included as part of the liability for claims and judgments? [GASB-S30: 10; 2005 GAAFR, page 229]

If the government exercises its option to discount claims liabilities or has entered into any structured settlements, the notes should disclose the nondiscounted carrying amount of any liabilities reported at a discounted value and the range for interest rates used for discounting. [GASB-S10: 77d(2); 2005 GAAFR, page 229]

If claims have been defeased through annuity contracts, this fact should be disclosed. [GASB-S10: 77d(3); 2005 GAAFR, page 229]

Explanation: *This requirement does not apply if beneficiaries have signed an agreement releasing the government from all further obligation and the likelihood of further payments is considered to be remote.*

_____	_____	_____	12.22e	Do the notes provide a tabular reconciliation of the claims liability? [GASB-S10: 77d(4); 2005 GAAFR, page 229]
_____	_____	_____	12.22e1	Does the reconciliation distinguish 1) claims liability at the beginning of the period, 2) claims incurred during the period, 3) changes in the estimate for claims of prior periods, 4) payments on claims, 5) other, and 6) claims liability at the end of the period? [GASB-S10: 77d(4); 2005 GAAFR, page 229]
_____	_____	_____	12.22e2	Is this information provided for each of the two most recent fiscal periods? [GASB-S10: 77d(4); 2005 GAAFR, page 229]

Explanation: For example, a report for the fiscal year ended December 31, 2010, would need to provide: 1) a reconciliation of the amounts reported at December 31, 2010, and December 31, 2009, and 2) a reconciliation of the amounts reported at December 31, 2009, and December 31, 2008.

_____	_____	_____	12.23	If the government sponsors a public-entity risk pool, does it either 1) refer readers to the separately issued report of the pool or 2) provide all of the note disclosures required for public-entity risk pools? [GASB-S10: 78; 2005 GAAFR, page 238]
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Yes No N/A

Explanation: In the absence of a separately issued pool report, the sponsoring government must include all of the disclosures that a pool normally is required to present within its own report. Those disclosures are as follows:

- A description of the pooling arrangement that includes the rights and responsibilities of the pool and pool participants and the number and types of entities participating;
- The basis for estimating claims liabilities;
- Information on acquisition costs;
- The face amount and carrying amount of any claims liabilities reported at present value, including the range of interest rates used to discount those liabilities;
- Statement of whether investment income is considered in determining premium deficiencies;
- Nature of excess insurance or reinsurance transactions and their significance to the pool's operations. These transactions include type of coverage and reinsurance premiums ceded, as well as estimated amounts that are recoverable from excess insurers and reinsurers *and* that reduce the liabilities as of the date of the statement of position for unpaid claims and claim adjustment expenses;
- Reconciliation of total claims liabilities for the current and prior fiscal year in the following tabular format:
 - Unpaid claims and claim adjustment expenses, beginning of year;
 - Incurred claims and claim adjustment expenses;
 - Payments;
 - Other (describe if material);
 - Unpaid claims and claim adjustment expenses, end of year.

Furthermore, if annuity contracts are purchased in the name of the claimant and the related liabilities have been removed from the statement of position, the aggregate outstanding amount of the defeased claims liabilities should be reported in the notes. This requirement does not apply, however, if annuity contract beneficiaries have signed an agreement releasing the government from further obligation and the likelihood of further payments is remote. The notes also should provide information on the nature and amount of contingent losses. This disclosure normally is required when there is at least a reasonable possibility that a loss has been incurred, but the loss does not meet the criteria for accrual (the loss is not probable and measurable).

_____	_____	_____	12.24	If property taxes are a major revenue source, do the notes provide information on the property tax calendar (i.e., lien dates, levy dates, due dates, and collection dates)? [NCGA-I3: 11; 2005 GAAFR, page 229]
_____	_____	_____	12.25	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; 2005 GAAFR, page 229]
_____	_____	_____	12.25a	Does the government report condensed financial data for segments that are not also major funds? [GASB-S34: 122b-d; 2005 GAAFR, pages 230-1] If so:
_____	_____	_____	12.25a1	Do the notes present a condensed statement of net assets for each segment? [GASB-S34: 122b; 2005 GAAFR, page 230]
_____	_____	_____	12.25a2	Do the notes present a condensed statement of revenues, expenses, and changes in net assets/equity for each segment? [GASB-S34: 122c; 2005 GAAFR, page 230]
_____	_____	_____	12.25a3	Do the notes present a condensed statement of cash flows for each segment? [GASB-S34: 122d; 2005 GAAFR, pages 230-1]
_____	_____	_____	12.26+	If the government has engaged in short-term debt activity during the year (e.g., anticipation notes, use of lines of credit), <i>even if no short-term debt is outstanding at the end of the fiscal period</i> , has the government discussed this fact? [GASB-S38: 12; 2005 GAAFR, page 232] If so:
_____	_____	_____	12.26a	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; 2005 GAAFR, page 232]

Yes No N/A

_____ 12.26b Has the government provided an explanation of the purpose for which the debt was issued? [GASB-S38: 12b; 2005 GAAFR, page 232]

If the government has engaged in material related party transactions, the notes should disclose the terms of the transactions and the balance of related receivables not visible on the face of the basic financial statements. [NCGA-I6: 5; 2005 GAAFR, page 232]

_____ 12.27 If the government participates in a joint venture, do the notes disclose this fact? [GASB-S14: 75; 2005 GAAFR, page 233] If so:

_____ 12.27a Do the notes describe the nature of any ongoing financial interest or responsibility resulting from participation in the joint venture? [GASB-S14: 75a(1); 2005 GAAFR, page 233]

_____ 12.27b Do the notes provide information on how to obtain the financial statements of the joint venture? [GASB-S14: 75a(2); 2005 GAAFR, page 233]

_____ 12.27c 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 financial benefit to or burden on the participating government in the future? [GASB-S14: 75a(1); 2005 GAAFR, page 233]

If the government participates in a jointly governed organization, the notes should provide any relevant information on related party transactions. [GASB-S14: 77; 2005 GAAFR, page 233]

_____ 12.28 If the government undertook a refunding during the period that either defeased or redeemed the refunded debt, do the notes disclose this fact? [GASB-S7: 11-14; 2005 GAAFR, page 233]

_____ 12.28a Do the notes provide a brief description of the refunding transaction(s)? [GASB-S7: 11; 2005 GAAFR, page 233]

_____ 12.28b Do the notes disclose the aggregate difference in debt service between the refunding debt and the refunded debt? [GASB-S7: 11; 2005 GAAFR, page 233]

_____ 12.28c Do the notes disclose the economic gain or loss on the transaction? [GASB-S7: 11; 2005 GAAFR, page 233]

The notes should disclose the amount of any outstanding in-substance defeased debt. [GASB-S7: 14; 2005 GAAFR, page 234]

_____ 12.29 Do the notes provide information on the nature and purpose of all material amounts of reserved fund balance and designated unreserved fund balance not described on the face of the governmental fund balance sheet? [2005 GAAFR, page 234]

If interfund balances between governmental funds and interfund balances between proprietary funds are not eliminated in a separate column in the fund financial statements, the notes should disclose that such amounts are not included in the government-wide statement of net assets. [2005 GAAFR, page 234]

If bond anticipation notes are classified as long-term obligations on the basis of a financing agreement, the notes should disclose the details of the arrangement, as well as the terms of any new obligation incurred or expected to be incurred as a result of the refinancing. [NCGA-I9: 12; FASB-S6: 15; 2005 GAAFR, page 235]

Yes No N/A

If the primary government has a component unit with a different fiscal year end, the notes should explain any resulting disparities (e.g., discrepancies between related receivable and payable amounts). [GASB-S14: 60; 2005 GAAFR, page 235]

If the government participated in a reverse repurchase agreement during the period, the notes should provide all of the disclosures required by GAAP. [GASB-S3: 63, 76-80, GASB-I3: 6; 2005 GAAFR, pages 235-6]

Explanation: The notes should disclose all of the following information regarding reverse repurchase agreements:

- The relevant legal or contractual provisions;
- Reverse repurchase agreements in force at the end of the period;
- The source of legal or contractual authorization;
- Whether the maturities of the investments made with the agreements' proceeds generally are matched to the agreements' maturities, as well as the extent of such matching at the end of the fiscal period;
- Either 1) the fair value of the securities to be repurchased as of the end of the fiscal year and the terms of the agreement (for yield-type agreements) or 2) credit risk (for all other types of agreements).

The notes should disclose any losses recognized during the period due to default and any amounts recovered from prior period losses (if not visible on the face of the financial statements). The notes also should disclose any significant violation of legal or contractual provisions.

If the government participated in a securities lending arrangement during the period, the notes should provide all of the disclosures required by GAAP. [GASB-S28: 11-15; 2005 GAAFR, page 236]

Explanation: The notes should disclose all of the following information regarding securities lending arrangements:

- The source of legal or contractual authorization;
- The types of securities on loan;
- The types of collateral received;
- The ability to pledge or sell collateral securities without a default;
- The amount by which collateral is to exceed the amount of securities;
- The carrying amount and fair value of securities on loan;
- Whether the maturities of the investments made with cash collateral generally match the maturities of securities loans and the extent of such matching as of the end of the fiscal year;
- Credit risk or the absence of credit risk.

The notes also should disclose 1) any significant violations of legal or contractual provisions, 2) any restrictions on the amount of securities that may be lent, and 3) any losses of the period resulting from default and any recoveries of prior period loss.

If loss indemnification is to be provided by agents, the notes should disclose this fact.

_____ 12.30 If the government has issued special assessment debt for which it is obligated in some manner, do the notes discuss this debt? [GASB-S6: 20; 2005 GAAFR, page 236] If so:

_____ 12.30a Do the notes disclose the nature of the government's obligation? [GASB-S6: 20; 2005 GAAFR, page 236]

Explanation: This disclosure should identify and describe any guarantee, reserve, or sinking fund established to cover defaults by property owners.

_____ 12.30b Do the notes disclose the amount of delinquent special assessments receivable (if not discernable on the face of the financial statements)? [GASB-S6: 20; 2005 GAAFR, page 236]

_____ 12.31 If the government has issued special assessment debt for which it is not obligated in any manner, do the notes discuss this debt? [GASB-S6: 21; 2005 GAAFR, pages 236-7] If so:

Yes No N/A

_____	_____	_____	12.31a	Do the notes disclose the amount of the debt? [GASB-S6: 21; 2005 GAAFR, pages 236-7]
_____	_____	_____	12.31b	Do the notes disclose that the government is acting only as an agent and is in no way liable for the debt? [GASB-S6: 21; 2005 GAAFR, pages 236-7]
_____	_____	_____	12.32	If the government has demand bonds outstanding at the end of the fiscal period, do the notes provide all of the disclosures required by GAAP? [GASB-11: 11; 2005 GAAFR, page 237]

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.

NOTE: A government that is not required to implement and has not early implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, should refer to Part 1 of the *Checklist Supplement* following section 19 for the applicable disclosure requirements.

_____	_____	_____	12.33	If a government is legally responsible for closure and postclosure care costs associated with a municipal solid-waste landfill, do the notes discuss this responsibility? [GASB-S18: 17; 2005 GAAFR, page 237] If so:
_____	_____	_____	12.33a	Do the notes disclose the nature and source of landfill closure and postclosure care requirements? [GASB-S18: 17a; 2005 GAAFR, page 237]
_____	_____	_____	12.33b	Do the notes explain that the cost of landfill closure and postclosure care is allocated based on landfill capacity used to date? [GASB-S18: 17b; 2005 GAAFR, page 237]
_____	_____	_____	12.33c	Do the notes disclose the liability for landfill closure and postclosure care costs (if not visible on the face of the basic financial statements)? [GASB-S18: 17c; 2005 GAAFR, page 237]
_____	_____	_____	12.33d	Do the notes disclose the portion of the estimated total obligation for landfill closure and postclosure care costs that has not yet been recognized in the financial statements? [GASB-S18: 17c; 2005 GAAFR, page 237]
_____	_____	_____	12.33e	Do the notes disclose the percentage of the landfill's total capacity that has been used to date? [GASB-S18: 17d; 2005 GAAFR, page 237]
_____	_____	_____	12.33f	Do the notes disclose the estimated remaining life of the landfill in years? [GASB-S18: 17d; 2005 GAAFR, page 237]
_____	_____	_____	12.33g	Do the notes state that the total current cost of landfill closure and postclosure care is an estimate and subject to changes resulting from inflation, deflation, technology, or changes in applicable laws or regulations? [GASB-S18: 17f; 2005 GAAFR, page 237]

If there are financial assurance requirements, the notes should disclose how they are being met. [GASB-S18: 17e; 2005 GAAFR, page 237]

Yes No N/A

The notes should disclose any assets restricted for the payment of closure and postclosure care costs that are not discernable on the statement of position. [GASB-S18: 17e; 2005 GAAFR, page 237]

_____ 12.34 If the government 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; 2005 GAAFR, pages 237-8]

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; 2005 GAAFR, pages 237-8]

If the government has issued conduit debt, the notes should provide all of the disclosures required by GAAP. [GASB-I2: 3; 2005 GAAFR, page 238]

Explanation: *The disclosure should include 1) a general description of conduit debt transactions, 2) the aggregate amount of all conduit debt obligations outstanding at the end of the period, and 3) a clear indication that the issuer has no obligation for the debt beyond the resources provided by related leases or loans.*

If the government sponsors an external investment pool, it should either 1) refer readers to the separately issued report of the pool or 2) provide all of the note disclosures required for governmental external risk pools. [GASB-S31: 19; 2005 GAAFR, page 238]

Explanation: *In the absence of a separately issued pool report, the sponsoring government must include all of the disclosures that a pool normally is required to present within its own report. Those disclosures are as follows:*

- *Methods and assumptions used to estimate fair value;*
- *Application of the amortized cost option;*
- *An explanation of realized and unrealized gains/losses (if separate amounts are presented on the face of the financial statements or disclosed in the notes to the financial statements);*
- *Description of regulatory oversight (including whether the pool is registered with the SEC as an investment company);*
- *Frequency and purpose of fair value determinations;*
- *Method used to determine participants' shares sold and redeemed and whether that method differs from the method used to report investments;*
- *Whether legally binding guarantees of share values were provided or obtained;*
- *Extent of involuntary participation in the pool;*
- *Summary of fair value, carrying amount (if different), number of shares and principal amount, ranges of interest rates, and maturity dates for each major investment classification; and*
- *If a distinction is made among different components of investment income, the accounting policy for defining those components.*

If the government has included any portion of interest expense as part of direct program costs of the governmental functions in the government-wide statement of activities, the notes should disclose the amount of interest expense so reported. [GASB-S34: 46; 2005 GAAFR, page 238]

If the government has elected not to capitalize a collection (e.g., art, historical artifacts), the notes should describe the collection and explain the reasons the government has elected not to capitalize it. [GASB-S34: 118; 2005 GAAFR, page 239]

Yes	No	N/A	
_____	_____	_____	12.35 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? [NCGA-S1: 1; 2005 GAAFR, page 240]
_____	_____	_____	12.36 Do the notes address the detail of individual long-term debt issues? [2005 GAAFR, page 240] If so:
_____	_____	_____	12.36a Do the notes disclose the purpose for which debt was issued? [2005 GAAFR, page 240]
_____	_____	_____	12.36b Do the notes disclose the original amount of the debt? [2005 GAAFR, page 240]
_____	_____	_____	12.36c Do the notes disclose the type of debt (e.g., general obligation bonds, revenue bonds)? [2005 GAAFR, page 240] <i>If the government has issued revenue bonds, the notes could provide a summary of related bond covenants. [2005 GAAFR, page 240]</i>
_____	_____	_____	12.36d Do the notes disclose the amounts of installments? [2005 GAAFR, page 240]
_____	_____	_____	12.36e Do the notes disclose the interest rate? [2005 GAAFR, page 240]
_____	_____	_____	12.36f Do the notes disclose the range of maturities? [2005 GAAFR, page 240]
_____	_____	_____	12.36g Do the notes address the applicability of federal arbitrage regulations? [2005 GAAFR, page 240] <i>If the government is subject to a legal debt margin, the notes could disclose information on the legal debt limit. [2005 GAAFR, page 240]</i> <i>If the government is authorized to issue debt that has not yet been issued, the notes could disclose this fact. [2005 GAAFR, page 240]</i> <i>If the government reports deferred revenue on the governmental fund balance sheet, the notes could disclose the portion of this liability that represents amounts that are deferred solely because they are not yet considered to be available. [2005 GAAFR, page 240]</i>
_____	_____	_____	12.37 If the government reports either a special item or an extraordinary item, do the notes describe the underlying event? [APB30: 11; 2005 GAAFR, page 240]
_____	_____	_____	12.38 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? [APB20: 33, 35, and 37; 2005 GAAFR, page 240] <i>If the significant components of receivables and payables (e.g., amounts related to taxpayers, other governments, vendors, customers, beneficiaries, employees) have been obscured by aggregation on the face of the financial statements, the notes should provide the missing detail. [GASB-S38: 13; 2005 GAAFR, page 239]</i> <i>The government should disclose if significant balances of receivables are not expected to be collected within one year of the end of the fiscal period. [GASB-S38:13; 2005 GAAFR, page 239]</i> <i>If the government incurred an obligation for termination benefits (for either voluntary or involuntary terminations) during the current period, the notes should include the required disclosures. [GASB-S47: 18-21]</i>

Yes No N/A

Explanation: *The disclosures should include a description of the termination benefit arrangement(s). The description of the termination benefits arrangement(s) could include:*

- *The type of benefits provided (e.g., healthcare);*
- *The number of employees affected; and*
- *The time period over which the government expects to provide the benefits.*

(The description should also be provided in subsequent periods in which employees provide services to receive benefits under an involuntary plan of termination that occurred in a prior period.)

The notes should disclose the cost of the termination benefits if not otherwise visible on the face of the financial statements.

The notes should also disclose the change in the actuarial accrued liability of a defined benefit pension or OPEB plan that results from the inclusion of termination benefits in the benefit plan.

If healthcare-related benefits are provided in an age-related termination program, the implicit rate subsidy related to benefits provided under the Consolidated Omnibus Budget Reconciliation Act (COBRA) should be reported and disclosed as a termination benefit.

If the government report liabilities for termination benefits that were incurred in the current or prior period(s), the notes should disclose the following significant items used to determine the liability: 1) methods (e.g., are amounts reported at their discounted present values) and 2) assumptions (e.g., the healthcare cost trend rate and, if applicable, the discount rate). [GASB-S47: 20]

_____	_____	_____	12.39	If the government does not report a liability for termination benefits that meet the recognition criteria because the amount is not reasonably estimable, do the notes disclose this fact? [GASB-S47: 21]
_____	_____	_____	12.40	If the government has pledged future revenues, do the notes include the required disclosures? [GASB-S48: 21]
_____	_____	_____	12.40a	Do they disclose the specific revenue pledged and the approximate amount of the pledge, if determinable?
_____	_____	_____	12.40b	Do they disclose the general purpose of the debt secured by the pledged revenue?
_____	_____	_____	12.40c	Do they disclose the term of the commitment (i.e., the period during which the revenue will not be available)?
_____	_____	_____	12.40d	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?
_____	_____	_____	12.40e	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?

If during the current fiscal year the government had a transaction that qualifies as a sale of future revenues, the notes should disclose: 1) the specific revenue sold, including the approximate amount, if determinable, 2) the period to which the sale applies, and 3) the relationship of the amount sold to the total for that specific revenue (e.g., the proportion of the specific revenue stream that has been sold), if determinable. [GASB-S48: 22]

_____	_____	_____	12.41	Has the government refrained from negative disclosure? [2005 GAAFR, page 241]
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Explanation: There generally is no need to disclose that a particular situation is *not* applicable to the government. There are two exceptions to this basic rule:

Yes No N/A

- Situations where GAAP 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.

FINANCIAL SECTION – PENSION AND OTHER POSTEMPLOYMENT BENEFIT-RELATED NOTE DISCLOSURES

NOTE: A government that is not required to implement and has not early implemented GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and/or GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, should refer to Part 1 of the *Checklist Supplement* following section 19 rather than answering questions 13.1 to 13.4e and 13.5a to 13.5b below.

_____ 13.1 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; 2005 GAAFR, pages 221-3] If so:

_____ 13.1a Do the notes describe the benefit plan? [GASB-S27: 20a1; GASB-S45: 24a1; 2005 GAAFR, page 221]

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

_____ 13.1b Do the notes briefly describe the types of benefits offered and the authority for establishing and amending benefits? [GASB-S27: 20a2; GASB-S45: 24a2; 2005 GAAFR, page 221]

_____ 13.1c 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; 2005 GAAFR, page 221]

_____ 13.1c1 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; 2005 GAAFR, page 221]

_____ 13.1d Do the notes describe the authority for establishing and amending the funding policy? [GASB-S27: 20b1; GASB-S45: 24b1; 2005 GAAFR, page 221]

If the plan is contributory, the notes should disclose the required contribution rate(s) of active members. [GASB-S27: 20b2; 2005 GAAFR, page 221]

_____ 13.1e Do the notes indicate the employer's required contribution rate(s)? [GASB-S27: 20b3; GASB-S45: 24b3; 2005 GAAFR, page 221]

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.

_____ 13.1e1 Are employer contribution rates expressed either in dollars or as a percentage of current-year payroll? [GASB-S27: 20b3; GASB-S45: 24b3; 2005 GAAFR, page 221]

Explanation: See explanation following question 13.1e.

Yes No N/A

If the employer participates in either a single-employer or agent multiple-employer plan and the contribution rate differs significantly from the actuarially determined annual required contribution, the notes should explain how the contribution rate is determined. [GASB-S27: 20b3; GASB-S45: 24b3; 2005 GAAFR, page 221]

The notes should disclose any legal or contractual maximum contribution rates. [GASB-S45: 24b; 30c; GASB-S50: 7a; 2005 GAAFR, page 222]

_____ 13.1f 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; 2005 GAAFR, page 221, note 136]

Explanation: This disclosure for required and actual contributions should provide information for the contractually required contributions that relate to the fiscal year being reported upon (i.e., those that relate to the pay periods within the fiscal year) regardless of when the amounts are due. For example, a government with a calendar year as its fiscal year is required to make contractually required contributions on a quarterly basis to the cost-sharing employee benefit plan within 45 days after the close of each quarter. In this case the payment for the last quarter would be part of the contractually required contributions for the calendar year even though it is not due to the cost-sharing employee benefit plan until midway through the first quarter of the subsequent 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.

_____ 13.1f1 Is the current year's required contribution stated in dollars? [GASB-S27: 20b3; GASB-S45: 24b3; 2005 GAAFR, page 221, note 136]

Explanation: The government should not reduce the contractually required contribution for an OPEB plan by payments from the federal government under Medicare Part D.

_____ 13.1f2 Are actual contributions presented as a percentage of required contributions? [GASB-S27: 20b3; GASB-S45: 24b3; 2005 GAAFR, page 221, note 136]

_____ 13.1f3 Is all information presented both for the current year and each of the preceding two years? [GASB-S27: 20b3; GASB-S45: 24b3; 2005 GAAFR, page 221, note 136]

_____ 13.1g 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; 2005 GAAFR, page 222]

_____ 13.2 If the government participates in either a single-employer or agent multiple-employer defined benefit plan, do the notes provide additional information? [GASB-S27: 21; GASB-S45: 25; 2005 GAAFR, pages 221-2] If so:

_____ 13.2a Do the notes disclose annual benefit cost? [GASB-S27: 21a; GASB-S45: 25a; 2005 GAAFR, page 221]

Explanation: The government should not reduce the annual benefit plan cost for an OPEB plan by payments from the federal government under Medicare Part D.

_____ 13.2b Do the notes disclose actual contributions made (in dollars)? [GASB-S27: 21a; GASB-S45: 25a; 2005 GAAFR, page 221]

_____ 13.2c If there is a net pension obligation (NPO) or net OPEB obligation (NOPEBO) outstanding, do the notes disclose the components of the annual benefit plan cost? [GASB-S27: 21a; GASB-S45: 25a; 2005 GAAFR, page 222]

Yes No N/A

Explanation: If an NPO or NOPEBO exists, the annual benefit cost will comprise these three components: 1) the annual required contribution (ARC), 2) interest on the NPO or NOPEBO, and 3) the actuary's adjustment of the ARC based on the existence of the NPO or NOPEBO.

_____	_____	_____	13.2d	If there is an NPO or NOPEBO outstanding, do the notes disclose both 1) the increase or decrease in the NPO/NOPEBO and 2) the NPO/NOPEBO at the end of the year? [GASB-S27: 21a; GASB-S45: 25a; 2005 GAAFR, page 222]
_____	_____	_____	13.2e	Do the notes disclose the annual benefit plan cost for the current year and the two preceding years? [GASB-S27: 21b; GASB-S45: 25b; 2005 GAAFR, page 222]
_____	_____	_____	13.2f	Do the notes disclose the percentage of the annual benefit cost contributed for the current year and the two preceding years? [GASB-S27: 21b; GASB-S45: 25b; 2005 GAAFR, page 222]
_____	_____	_____	13.2g	Do the notes disclose the NPO/NOPEBO for the current year and the two preceding years? [GASB-S27: 21b; GASB-S45: 25b; 2005 GAAFR, page 222]
_____	_____	_____	13.2h	Do the notes disclose the date of the actuarial valuation? [GASB-S27: 21c; GASB-S45: 25c; 2005 GAAFR, page 222]
_____	_____	_____	13.2i	Do the notes disclose the actuarial methods and significant assumptions used? [GASB-S27: 21c; GASB-S45: 25d; 2005 GAAFR, page 222]

Explanation: The disclosure of the actuarial assumptions must be in the notes to the financial statements.

_____	_____	_____	13.2i1	Do the notes disclose the actuarial cost method? [GASB-S27: 21c; GASB-S45: 25d; 2005 GAAFR, page 222]
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Explanation: GAAP require the use of one of the following six actuarial cost methods: entry age, frozen entry age, attained age, frozen attained age, projected unit credit, or aggregate. The use of the unprojected unit credit method also is acceptable for plans in which benefits already accumulated for years of service are not affected by future salary levels.

_____	_____	_____	13.2i2	If the aggregate method is used, do the notes state that because this method does not identify or separately amortize unfunded actuarial accrued liabilities, information about funded status and funding progress is presented using the entry age actuarial cost method for that purpose, and that the information presented is intended to serve as a surrogate for the funding progress of the plan? [GASB-S45: 25d; GASB-S50: 8b(3)(b) and 9; 2005 GAAFR, page 222]
_____	_____	_____	13.2i3	Do the notes disclose the actuarial method used for valuing assets? [GASB-S27: 21c; GASB-S45: 25d; 2005 GAAFR, page 222]
_____	_____	_____	13.2i4	Do the notes disclose the assumptions regarding the inflation rate, investment return, projected salary increases, and post-retirement benefit increases? [GASB-S27: 21c; GASB-S45: 25d; 2005 GAAFR, page 222] <i>If the assumptions (e.g., inflation rate, projected salary increases) used to determine the ARC for the current year and the information about the funded status of the plan contemplate different rates for successive years (year-based or select and ultimate rates), the rates that should be disclosed are the initial and ultimate rates. [GASB-S45: 25d(5)(c); GASB-S50: 8b(3)(a)]</i>

Yes	No	N/A		
_____	_____	_____	13.2i5	Do the notes describe the amortization method (i.e., level dollar or level percentage of projected payroll)? [GASB-S27: 21c; GASB-S45: 25d; 2005 GAAFR, page 222]
_____	_____	_____	13.2i6	Do the notes disclose the amortization period? [GASB-S27: 21c; GASB-S45: 25d; 2005 GAAFR, page 222]

Explanation: If a government uses more than one amortization period, it should disclose the equivalent single amortization period (ESAP).

_____	_____	_____	13.2i7	Do the notes state whether amortization periods are open or closed? [GASB-S27: 21c; GASB-S45: 25d; 2005 GAAFR, page 222]
_____	_____	_____	13.2j	For an OPEB healthcare plan, does the disclosure of actuarial assumptions include the healthcare cost trend rate? [GASB-S45: 25d; 2005 GAAFR, page 222] <i>If different years are used for the healthcare cost trend rate, the notes should disclose both the initial and ultimate rates.</i> [GASB-S45: 25d(5)(c); 2005 GAAFR, page 222]
_____	_____	_____	13.2k	For partially funded defined benefit OPEB plans, do the notes disclose the method used to determine the blended investment return assumption? [GASB-S45: 25d; 2005 GAAFR, page 223]
_____	_____	_____	13.2L	If the government participates in one or more defined benefit plan(s), do the notes provide disclosures for the funded status of the plan(s) as of the most recent actuarial valuation date? [GASB-S45: 25c; GASB-S50: 8a]

Explanation: One of the following actuarial cost methods should be used: entry age, frozen entry age, attained age, frozen attained age, projected unit credit, or aggregate. If the aggregate actuarial method is used to determine the annual required contribution, the government should present this information using the entry age actuarial cost method. The requirement to present information about funded status of pension plans that use the aggregate actuarial method is effective for the first fiscal period containing information from actuarial valuations as of June 15, 2007 or later. Amortization of the total actuarial accrued liability may be calculated using either a level dollar or a level percentage of projected payroll approach. However, the maximum acceptable amortization period is 30 years.

If so:

_____	_____	_____	13.2L1	Do the notes disclose the actuarial valuation date?
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Explanation: The actuarial valuation for an OPEB plan should be performed:

- At least biennially for OPEB plans with a total membership of 200 or more
- At least triennially for OPEB plans with fewer than 200 total members

The actuarial valuation for a pension plan should be performed at least biennially.

Regardless of the option selected, the same date should be used for each actuarial valuation. However, a new valuation should be performed in any year in which a significant change occurred that affected the results of the prior valuation.

_____	_____	_____	13.2L2	Do the notes disclose the actuarial value of assets?
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Explanation: The *actuarial* value of plan assets may differ from the *accounting* value presented on the statement of plan net assets.

_____	_____	_____	13.2L3	Do the notes disclose the actuarial accrued liability?
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Yes No N/A

Explanation: The actuarial accrued liability should be calculated using the same actuarial cost method used for funding purposes except when the aggregate actuarial cost method is used. In this case the disclosure should be prepared using the entry age actuarial cost method. Further, the actuarial accrued liability should not be reduced by payments that are expected from the federal government under the provisions of Medicare Part D.

_____ 13.2L4 Do the notes disclose the total unfunded actuarial accrued liability (or funding excess)?

Explanation: UNFUNDED ACTUARIAL ACCRUED LIABILITY = ACTUARIAL ACCRUED LIABILITY - ACTUARIAL VALUE OF PLAN ASSETS. If the actuarial value of plan assets exceeds the actuarial accrued liability, this excess amount should be reported as a *funding excess*.

_____ 13.2L5 Do the notes disclose the funded ratio?

Explanation: FUNDED RATIO = ACTUARIAL VALUE OF ASSETS/ACTUARIAL ACCRUED LIABILITY [expressed as a percentage].

_____ 13.2L6 Do the notes disclose the annual covered payroll?

_____ 13.2L7 Do the notes disclose the ratio of the unfunded actuarial accrued liability to annual covered payroll?

_____ 13.2m Do the notes disclose that the required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits? [GASB-S45: 25d(2); GASB-S50:8b(1); 2005 GAAFR, page 350]

_____ 13.2n Do the notes disclose the actuarial methods and significant assumptions used? [GASB-S45: 25d; GASB-S50: 8b]

If applicable, the notes should disclose that the projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

_____ 13.2o If the government participates in a single-employer or agent multiple-employer OPEB plan, do the notes disclose the actuarial methods and significant assumptions used? [GASB-S45: 25d]

_____ 13.2o1 Do the notes disclose that calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point?

_____ 13.2o2 Do the notes disclose that actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and that actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future?

_____ 13.2o3 Do the notes disclose that actuarial calculations reflect a long-term perspective?

If applicable, the notes should disclose that the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Yes No N/A

_____ 13.2p Does the OPEB plan qualify for and has it elected to use the alternative measurement method? [GASB-S45: 33-35]

Explanation: To qualify to use the alternative measurement approach, a defined benefit OPEB plan must have fewer than one hundred total members. While this method does not require the services of an actuary, it does include the same essential elements as those used in an actuarial valuation:

- Projection of future benefits;
- Calculation of the present value of future benefit payments;
- Allocation of the present value of future benefit payments to operations in a systematic and rational manner.

The essential difference between the alternative approach and an actuarial valuation is that financial statement preparers are allowed to use certain simplifying assumptions to project benefits.

If so, do the notes disclose:

_____ 13.2p1 That the government has elected to use this method?

_____ 13.2p2 The source or basis of all significant assumptions or methods used to apply the method?

_____ 13.3 If the government participates in a defined contribution benefit plan, do the notes provide information on the arrangement? [GASB-S27: 27; GASB-S45: 29; 2005 GAAFR, page 223] If so:

_____ 13.3a Do the notes disclose the name of the benefit plan? [GASB-S27: 27a; GASB-S45: 31a; 2005 GAAFR, page 223]

_____ 13.3b Do the notes disclose the entity that administers the benefit plan? [GASB-S27: 27a; GASB-S45: 31a; 2005 GAAFR, page 223]

_____ 13.3c Do the notes identify the arrangement as a defined contribution benefit plan? [GASB-S27: 27a; GASB-S45: 31a; 2005 GAAFR, page 223]

_____ 13.3d Do the notes briefly describe the plan's provisions? [GASB-S27: 27b; GASB-S45: 31b; 2005 GAAFR, page 223]

_____ 13.3e Do the notes disclose the authority for establishing or amending the plan's provisions? [GASB-S27: 27b; GASB-S45: 31b; 2005 GAAFR, page 223]

_____ 13.3f 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; 2005 GAAFR, page 223]

_____ 13.3g Do the notes disclose the authority for establishing or amending contribution requirements? [GASB-S27: 27c; GASB-S45: 31c; 2005 GAAFR, page 223]

_____ 13.3h Do the notes disclose contributions actually made by the employer and plan members? [GASB-S27: 27d; GASB-S45: 31d; 2005 GAAFR, page 223]

If the government participates in an insured benefit plan, the notes should 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; 2005 GAAFR, pages 223-4]

Yes No N/A

If the government is legally responsible for paying benefits on behalf of the employees of another entity, the notes should provide the same information required for a benefit plan provided to the government's own employees. [GASB-S27: 28; GASB-S45: 32; 2005 GAAFR, page 224]

_____ 13.4 If the government sponsors a defined benefit plan that is reported as a pension (and other employee benefit) trust fund and the plan issues a separate report, do the notes provide abbreviated disclosures concerning the plan? [GASB-S25: 32; GASB-S43: 30; 2005 GAAFR, page 234] If so:

_____ 13.4a Do the notes disclose how to obtain a copy of the benefit plan report? [GASB-S25: 32; GASB-S43: 30; 2005 GAAFR, page 234]

_____ 13.4b Do the notes identify the type of plan? [GASB-S25: 32a1; GASB-S43: 30a1; 2005 GAAFR, page 234]

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

_____ 13.4c Do the notes disclose the number of participating employers and other contributing entities? [GASB-S25: 32a1; GASB-S43: 30a1; 2005 GAAFR, page 234]

_____ 13.4d Do the notes disclose the basis of accounting used? [GASB-S25: 32b; GASB-S43: 30b; 2005 GAAFR, page 234]

Explanation: This disclosure should specify when contributions, benefits, and refunds are recognized in the statement of changes in fiduciary net assets.

_____ 13.4e Do the notes disclose the method used to determine the fair value of investments? [GASB-S25: 32b; GASB-S43: 30b; GASB-S50: 4a; 2005 GAAFR, page 234]

If the fair value is based on other than quoted market prices, the notes should disclose the methods and significant assumptions used to estimate the fair value of investments. [GASB-S25: 32 and 41; GASB-S31: 15; GASB-S43: 30b(2) and 42; GASB-S50: 5; 2005 GAAFR, page 334]

If there are any long-term contracts for contributions outstanding, the notes should disclose the terms of the contracts and the amount outstanding as of the plan's reporting date. [GASB-S25: 32c4; GASB-S43: 30c4; 2005 GAAFR, page 234]

_____ 13.5 If the government sponsors a defined benefit plan reported as a pension (and other employee benefit) trust fund, and that benefit plan does *not* issue a separate report, do the notes provide additional information? [GASB-S25: 32; GASB-S34: 106; GASB-S43:30; 2005 GAAFR, page 224]

_____ 13.5a Do the notes include financial statements for each individual benefit plan if the combining statements that provide this information are not within the scope of the audit? [GASB-S34: 106; 2005 GAAFR, page 224]

Explanation: If the independent auditor only takes *in relation to* responsibility for the combining and individual fund statements, then the financial statements for each individual benefit plan should be included within the notes so that data for each benefit plan is included within the scope of the audit.

_____ 13.5b Do the notes include all disclosures required of stand-alone benefit plans? [GASB-S25: 32; GASB-S27:20, note 15; GASB-S43:30; Q&A 5.32.2; 2005 GAAFR, page 235]

Yes No N/A

Explanation: The disclosure requirements for benefit plans in the absence of a separately issued report (which should be merged with the sponsoring government's employer disclosures to avoid duplication) are as follows:

- Plan description
 - Type of plan and the number of participating employers and other contributors
 - Classes of employees covered and current membership, including the number of retirees and others currently receiving benefits, terminated employees entitled to receive benefits in the future, and current active plan members (*A plan should disclose if the plan is closed to new entrants*)
 - A brief description of benefit provisions and the authority for establishing or amending those provisions
- Summary of significant accounting policies
 - Basis of accounting
 - Method used to determine the fair value of investments
- Contributions and reserves
 - Authority for establishing or amending the obligation to make contributions
 - How contributions are determined and how administrative costs are financed
 - Required contribution rates for active members of the plan
 - Terms of long-term contracts for contributions and the amount outstanding as of the plan's reporting date
 - Balances in legally required reserves or designations as of the plan's reporting date (reserves result from the actions of outside parties, while designations result from actions of the plan's own governing body); also, the purpose and funded status of each reserve or designation
 - Legal or contractual maximum contribution rate
- Funding information
 - The data from the schedule of funding progress for the current year
 - The date of the actuarial valuation
 - That the schedule of funding progress, located following the notes, provides multi-year trend data to help determine whether net plans assets are increasing or decreasing over time
 - The actuarial cost method (i.e., entry age, frozen entry age, attained age, frozen attained age, projected unit credit, or aggregate) [The use of the unprojected unit credit method also is acceptable for plans in which benefits already accumulated for years of service are not affected by future salary levels]
 - If the aggregate method is used, a statement that this method does not separately amortize unfunded actuarial accrued liabilities
 - The actuarial method used for valuing assets
 - The assumptions regarding the inflation rate, investment return, projected salary increases, and post-retirement benefit increases
 - The amortization method (i.e., level dollar or level percentage of payroll)
 - The amortization period (if more than one period is used, the equivalent single amortization period should be disclosed)
 - Whether the amortization period is open or closed
 - That benefits are projected based on benefit levels and cost-sharing arrangements as of the date of the valuation and do not explicitly reflect the potential effects of legal or contractual funding limitations

FINANCIAL SECTION – RSI

_____ 14.1* Is all RSI, other than MD&A, located immediately following the notes to the financial statements? [GASB-S34: 6c; 2005 GAAFR, page 296]

Explanation: When the government sponsors a public-entity risk pool that issues a separate report, the RSI mandated for the pool should be presented in the statistical section of the CAFR rather than immediately following the notes to the financial statements.

_____ 14.2* If the government does not present budgetary comparisons as basic governmental fund financial statements, does the RSI present these comparisons? [GASB-S34: 130, note 53; 2005 GAAFR, page 296]

_____ 14.2a Is the budgetary comparison titled a *schedule* rather than a *statement*?

CHECKLIST SUPPLEMENT

PART 1: OTHER POSTEMPLOYMENT BENEFIT PLAN REPORTING GUIDANCE BEFORE GASB STATEMENTS NO. 43 AND 45

A government that is not required to implement and has not early implemented GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, should use the following guidance for reporting its benefit plans. GASB Statement No. 43 is effective for fiscal periods beginning after December 15, 2007, for governments that were phase 3 for the implementation of SGAS 34.

A government that is not required to implement and has not early implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, should use the following guidance for reporting its benefit plans. GASB Statement No. 45 is effective for fiscal periods beginning after December 15, 2007, for governments that were phase 2 for the implementation of SGAS 34; and for fiscal periods beginning after December 15, 2008, for governments that were phase 3 for the implementation of SGAS 34.

_____ If the government pays for other postemployment benefits (OPEB) for employees, either in whole or in part, do the notes discuss these benefits? [GASB-S12: 10] If so:

_____ Do the notes describe 1) the types of benefits provided, 2) the employee groups covered, 3) eligibility requirements, 4) employer and participant obligations to contribute, 5) statutory, contractual, or other authority under which OPEB provisions and obligations to contribute are established, and 6) the accounting and financing policies followed? [GASB-S12: 10a-c]

_____ If OPEB are advance-funded on an actuarial basis, do the notes disclose 1) the actuarial cost method, 2) significant actuarial assumptions used to determine funding requirements, 3) the method used to value plan assets, 4) the number of active plan participants, 5) the employer's actuarially required and actual contributions for the period (net of participant contributions), 6) the amount of net assets available for OPEB, and 7) the actuarial accrued liability and the unfunded actuarial accrued liability for OPEB? [GASB-S12: 10d(2)]

_____ If OPEB are not advance-funded on an actuarial basis, do the notes 1) either disclose the amount of OPEB expenditures/expenses recognized during the period by the employer (net of participant contributions) or state that a reasonable approximation of the amount cannot be made, 2) disclose the number of participants currently eligible to receive benefits, and 3) disclose net assets available for future benefits (if advance-funded, but not on an actuarial basis)? [GASB-S12: 10d(1)]

The notes should disclose any significant matters that affect the comparability of the required disclosures with those for the previous period. [GASB-S12: 10e]

Employers have the option of accounting for healthcare OPEB in the same manner as defined benefit pension plans. If they elect this option, they should provide the disclosures normally used for defined benefit pension plans instead of the disclosures just described. [GASB-S27: 24]

_____ If the government participates in a defined benefit pension plan, do the notes provide information on the arrangement? [GASB-S27: 20-1; 2005 GAAFR, pages 221-2] If so:

_____ Do the notes describe the pension plan? [GASB-S27: 20a1; 2005 GAAFR, page 221]

Yes No N/A

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

_____ Do the notes briefly describe the types of benefits offered and the authority for establishing and amending benefits? [GASB-S27: 20a2; 2005 GAAFR, page 221]

_____ Do the notes disclose whether the pension plan issues a separate report or is included in the report of a public employees retirement system or another entity? [GASB-S27: 20a3; 2005 GAAFR, page 221]

_____ If a separate report is issued for a pension plan, do the notes disclose how to obtain a copy of the report? [GASB-S27: 20a3; 2005 GAAFR, page 221]

_____ Do the notes describe the authority for establishing and amending the funding policy? [GASB-S27: 20b1; 2005 GAAFR, page 221]

If the plan is contributory, the notes should disclose the required contribution rate(s) of active members. [GASB-S27: 20b2; 2005 GAAFR, page 221]

_____ Do the notes indicate the employer's required contribution rate(s)? [GASB-S27: 20b3; 2005 GAAFR, page 221]

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 rate or the dollar amount of required contributions of the employer government is not reduced.

_____ Are employer contribution rates expressed either in dollars or as a percentage of current-year payroll? [GASB-S27: 20b3; 2005 GAAFR, page 221]

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 rate or the dollar amount of required contributions of the employer government is not reduced.

If the employer participates in either a single-employer or agent multiple-employer plan and the contribution rate differs significantly from the actuarially determined annual required contribution, the notes should explain how the contribution rate is determined. [GASB-S27: 20b3; 2005 GAAFR, page 221]

_____ If the government participates in a cost-sharing, multiple-employer defined benefit pension plan, do the notes provide information on both required and actual contributions? [GASB-S27: 20b3; 2005 GAAFR, page 221, note 136]

Explanation: This disclosure for required and actual contributions should provide information for the contractually required contributions that relate to the fiscal year being reported upon (i.e., those that relate to the pay periods within the fiscal year) regardless of when the amounts are due. For example, a government with a calendar year as its fiscal year is required to make contractually required contributions on a quarterly basis to the cost-sharing employee benefit plan within 45 days after the close of each quarter. In this case the payment for the last quarter would be part of the contractually required contributions for the calendar year even though it is not due to the cost-sharing employee benefit plan until midway through the first quarter of the subsequent 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.

_____ Is the current year's required contribution stated in dollars? [GASB-S27: 20b3; 2005 GAAFR, page 221, note 136]

Explanation: The government should not reduce the contractually required contribution for an OPEB plan by payments from the federal government under Medicare Part D.

Yes No N/A

Are actual contributions presented as a percentage of required contributions? [GASB-S27: 20b3; 2005 GAAFR, page 221, note 136]

Is all information presented both for the current year and each of the preceding two years? [GASB-S27: 20b3; 2005 GAAFR, page 221, note 136]

If the government participates in either a single-employer or agent multiple-employer defined benefit plan, do the notes provide additional information? [GASB-S27: 21; 2005 GAAFR, pages 221-2] If so:

Do the notes disclose annual pension cost? [GASB-S27: 21a; 2005 GAAFR, page 221]

Explanation: The government should not reduce the annual benefit plan cost for an OPEB plan by payments from the federal government under Medicare Part D.

Do the notes disclose actual contributions made (in dollars)? [GASB-S27: 21a; 2005 GAAFR, page 221]

If there is a net pension obligation (NPO) outstanding, do the notes disclose the components of annual pension cost? [GASB-S27: 21a; 2005 GAAFR, page 222]

Explanation: If an NPO exists, annual pension cost will comprise three components: 1) the annual required contribution (ARC), 2) interest on the NPO, and 3) the actuary's adjustment of the ARC based on the existence of the NPO.

If there is an NPO outstanding, do the notes disclose both 1) the increase or decrease in the NPO and 2) the NPO at the end of the year? [GASB-S27: 21a; 2005 GAAFR, page 222]

Do the notes disclose annual pension cost for the current year and the two preceding years? [GASB-S27: 21b; 2005 GAAFR, page 222]

Do the notes disclose the percentage of the annual pension cost contributed for the current year and the two preceding years? [GASB-S27: 21b; 2005 GAAFR, page 222]

Do the notes disclose the NPO for the current year and the two preceding years? [GASB-S27: 21b; 2005 GAAFR, page 222]

Do the notes disclose the date of the actuarial valuation? [GASB-S27: 21c; 2005 GAAFR, page 222]

Do the notes disclose the actuarial methods and significant assumptions used? [GASB-S27: 21c; 2005 GAAFR, page 222]

Explanation: The disclosure of the actuarial assumptions must be in the notes to the financial statements.

Do the notes disclose the actuarial cost method? [GASB-S27: 21c; 2005 GAAFR, page 222]

Explanation: GAAP require the use of one of the following six actuarial cost methods: entry age, frozen entry age, attained age, frozen attained age, projected unit credit, or aggregate. The use of the unprojected unit credit method also is acceptable for plans in which benefits already accumulated for years of service are not affected by future salary levels.

If the aggregate method is used, do the notes state that this method does not identify or separately amortize unfunded actuarial accrued liabilities? [GASB-S27: 21c; 2005 GAAFR, page 222]

Do the notes disclose the actuarial method used for valuing assets? [GASB-S27: 21c; 2005 GAAFR, page 222]

Yes No N/A

Do the notes disclose the assumptions regarding the inflation rate, investment return, projected salary increases, and post-retirement benefit increases? [GASB-S27: 21c; 2005 GAAFR, page 222]

Do the notes describe the amortization method (i.e., level dollar or level percentage of projected payroll)? [GASB-S27: 21c; 2005 GAAFR, page 222]

Do the notes disclose the amortization period? [GASB-S27: 21c; 2005 GAAFR, page 222]

Explanation: If a government uses more than one amortization period, it should disclose the equivalent single amortization period (ESAP).

Do the notes state whether the amortization period is open or closed? [GASB-S27: 21c; 2005 GAAFR, page 222]

If the government participates in a defined contribution pension plan, do the notes provide information on the arrangement? [GASB-S27: 27; 2005 GAAFR, page 223] If so:

Do the notes disclose the name of the pension plan? [GASB-S27: 27a; 2005 GAAFR, page 223]

Do the notes disclose the entity that administers the pension plan? [GASB-S27: 27a; 2005 GAAFR, page 223]

Do the notes identify the arrangement as a defined contribution pension plan? [GASB-S27: 27a; 2005 GAAFR, page 223]

Do the notes briefly describe the plan's provisions? [GASB-S27: 27b; 2005 GAAFR, page 223]

Do the notes disclose the authority for establishing or amending the plan's provisions? [GASB-S27: 27b; 2005 GAAFR, page 223]

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; 2005 GAAFR, page 223]

Do the notes disclose the authority for establishing or amending contribution requirements? [GASB-S27: 27c; 2005 GAAFR, page 223]

Do the notes disclose contributions actually made by the employer and plan members? [GASB-S27: 27d; 2005 GAAFR, page 223]

If the government participates in an insured pension plan, the notes should 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 pension cost, and 5) disclose contributions or premiums actually paid. [GASB-S27: 23; 2005 GAAFR, pages 223-4]

If the government is legally responsible for paying benefits on behalf of the employees of another entity, the notes should provide the same information required for a pension plan provided to the government's own employees. [GASB-S27: 28; 2005 GAAFR, page 224]

Yes No N/A

If the government sponsors a defined benefit pension plan that is reported as a pension (and other employee benefit) trust fund and the pension plan issues a separate report, do the notes provide abbreviated disclosures concerning the pension plan? [GASB-S25: 32; 2005 GAAFR, page 234] If so:

Do the notes disclose how to obtain a copy of the pension plan report? [GASB-S25: 32; 2005 GAAFR, page 234]

Do the notes identify the type of pension plan? [GASB-S25: 32a1; 2005 GAAFR, page 234]

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

Do the notes disclose the number of participating employers and other contributing entities? [GASB-S25: 32a1; 2005 GAAFR, page 234]

Do the notes disclose the basis of accounting used? [GASB-S25: 32b; 2005 GAAFR, page 234]

Explanation: This disclosure should specify when contributions, benefits, and refunds are recognized in the statement of changes in fiduciary net assets.

Do the notes disclose the method used to determine the fair value of investments? [GASB-S25: 32b; 2005 GAAFR, page 234]

If there are any long-term contracts for contributions outstanding, the notes should disclose the terms of the contracts and the amount outstanding as of the plan's reporting date. [GASB-S25: 32c4; 2005 GAAFR, page 234]

If the pension plan has concentrations of 5 percent or more of net investments in securities of a single organization (other than the U.S. government or a mutual fund), the notes should disclose this fact. [GASB-S25: 32d; 2005 GAAFR, page 234]

If the government sponsors a pension plan reported as a pension (and other employee benefit) trust fund, and that pension plan does *not* issue a separate report, do the notes provide additional information? [GASB-S25: 32; GASB-S34: 106; 2005 GAAFR, page 224]

Do the notes include financial statements for each individual pension plan if the combining statements that provide this information are not within the scope of the audit? [GASB-S34: 106; 2005 GAAFR, page 224]

Explanation: If the independent auditor only takes *in relation to* responsibility for the combining and individual fund statements, then the financial statements for each individual pension plan should be included within the notes so that data for each benefit plan is included within the scope of the audit.

Do the notes include all disclosures required of stand-alone pension plans? [GASB-S25: 32; GASB-S27: 20, note 15; Q&A 5.32.2; 2005 GAAFR, page 235]

Explanation: The disclosure requirements for pension plans in the absence of a separately issued report (which should be merged with the sponsoring government's employer disclosures to avoid duplication) are as follows:

- Plan description
 - Type of pension plan and the number of participating employers and other contributors
 - Classes of employees covered and current membership, including the number of retirees and others currently receiving benefits, terminated employees entitled to receive benefits in the future, and current active plan members (*A plan should disclose if the plan is closed to new entrants*)
 - A brief description of benefit provisions and the authority for establishing or amending those provisions

Yes No N/A

- Summary of significant accounting policies
 - Basis of accounting
 - Method used to determine the fair value of investments
- Contributions and reserves
 - Authority for establishing or amending the obligation to make contributions
 - How contributions are determined and how administrative costs are financed
 - Required contribution rates for active members of the plan
 - Terms of long-term contracts for contributions and the amount outstanding as of the plan's reporting date
 - Balances in legally required reserves or designations as of the plan's reporting date (reserves result from the actions of outside parties, while designations result from actions of the plan's own governing body); also, the purpose and funded status of each reserve or designation
- Concentrations of 5 percent or more of the plan's net investments in securities of a single organization (other than the U.S. government)

_____ If the government either sponsors a single-employer defined benefit pension plan or participates in an agent multiple-employer defined benefit pension plan, *and the plan does not use the aggregate funding method*, does RSI provide trend information on funding progress for the last three actuarial valuations? [GASB-S25: 34, 37; 2005 GAAFR, pages 298-9]

Explanation: No schedule of funding progress is presented in connection with a defined benefit *pension* plan that uses the aggregate actuarial cost method because that method does *not* identify or separately amortize unfunded actuarial liabilities.

The actuarial accrued liability should be calculated using the same actuarial cost method used for funding purposes.

_____ Does the schedule disclose the actuarial valuation date? [GASB-S25: 37; 2005 GAAFR, page 335]

Explanation: In the case of defined benefit pension plans, the actuarial valuation should be performed at least biennially and should generally be performed the same date each year or biennium. A new valuation should be performed if significant changes have occurred since the previous valuation.

_____ Does the schedule disclose the actuarial value of plan assets? [GASB-S25: 37; 2005 GAAFR, page 335]

_____ Does the schedule disclose the actuarial accrued liability? [GASB-S25: 37; 2005 GAAFR, page 335]

Explanation: When a pension plan presents the schedule of funding progress, the actuarial accrued liability should be calculated using the same actuarial cost method used for funding purposes. When the aggregate actuarial cost is used for funding purposes, the schedule should be prepared using the entry age actuarial cost method.

_____ Does the schedule disclose the total unfunded actuarial accrued liability? [GASB-S25: 37; 2005 GAAFR, page 335]

Explanation: $UNFUNDED\ ACTUARIAL\ ACCRUED\ LIABILITY = ACTUARIAL\ ACCRUED\ LIABILITY - ACTUARIAL\ VALUE\ OF\ PLAN\ ASSETS$. If the actuarial value of plan assets exceeds the actuarial accrued liability, this excess amount should be reported as a *funding excess*.

_____ Does the schedule disclose the funded ratio? [GASB-S25: 37; 2005 GAAFR, page 335]

Explanation: $FUNDED\ RATIO = ACTUARIAL\ VALUE\ OF\ ASSETS / ACTUARIAL\ ACCRUED\ LIABILITY$ [expressed as a percentage].

_____ Does the schedule disclose annual covered payroll? [GASB-S25: 37; 2005 GAAFR, page 335]

Yes No N/A

Does the schedule disclose the ratio of the total unfunded actuarial accrued liability to annual covered payroll? [GASB-S25: 37; 2005 GAAFR, page 335]

If the government includes a pension (and other employee benefits) trust fund and the schedule of funding progress does not provide data for each of the past six periods, the notes to RSI should indicate how users may obtain a copy of the plan's separately issued report. [GASB-S25: 34; 2005 GAAFR, page 296]

Explanation: *If a separate report is not issued and referenced, a full six years of trend data on employer contributions is required, as follows:*

- Annual required contributions (in dollars) based on the parameters set by GAAP;
- Percentage of annual required contributions recognized as contributions from employers in the plan's statement of changes in plan net assets.

_____ If the government sponsors a single-employer defined benefit pension plan, does RSI either present a schedule of employer contributions or indicate how users may obtain a copy of the benefit plan's separately issued report? [GASB-S25: 34; 2005 GAAFR, page 299]

PART 2: ISSUED BUT NOT YET EFFECTIVE GASB PRONOUNCEMENTS

GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, effective for fiscal periods beginning after December 15, 2007

This Statement amends certain existing questions and explanations already on the checklist. The requirements of the Statement also cause the need for certain additional questions and explanations. Following are the changes necessary to the checklist because of this Statement.

Question 6.8 is replaced by the following question

_____ Does the *governmental activities column* include debt and all other long-term liabilities (e.g., compensated absences, claims and judgments, net pension obligation/net other postemployment benefit obligation, pollution remediation liabilities) incurred in connection with those activities? [GASB-S34: 12e; GASB-S49: 9-10; 2005 GAAFR, page 128]

The italicized comment after question 8.7 is replaced by the following comment

A government should refrain from reporting any portion of the following liabilities in a governmental fund until they are due and payable: compensated absences; claims and judgments; termination benefits; liabilities associated with landfill closure and postclosure care cost; and liabilities associated with pollution remediation. [GASB-I6: 14; GASB-S49: 22; 2005 GAAFR, page 174]

New questions, subquestions, and explanations to address the new requirements of this Statement

_____ Has an obligating event occurred that requires the government to attempt to accrue a liability for pollution remediation?

Explanation: Upon occurrence of any of the following events a government should attempt to accrue a liability for its pollution remediation obligation:

- 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;

Yes No N/A

- 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.

When one of the above events has occurred but the amount of the pollution remediation obligation is not reasonably estimable, the government does not need to report a liability. Instead, a disclosure providing a general description of the nature of the pollution remediation activities should be made.

_____ Do the notes disclose that the government has recognized a liability for its pollution remediation obligation? [GASB-S49: 23]

Explanation: Generally, on an accrual basis, pollution remediation obligations should be reported as an expense when the government recognizes a liability. However, a government should report capital assets (rather than expenses) when pollution remediation outlays are made in the following circumstances:

- To prepare property in anticipation of a sale (capitalization is limited to the estimated fair value that the capital asset will have at the completion of the pollution remediation),
- To prepare property for its intended use when at its acquisition it was known or suspected that the property had pollution that would require remediation (capitalization is limited to outlays necessary to place the asset into its intended location and condition for use),
- To restore a pollution-caused decline in the service utility of property that was recognized as an asset impairment (capitalization is limited to outlays necessary to place the asset into its intended location and condition for use), and
- To acquire property, plant, and equipment with a future alternative use (capitalization is limited to amounts that are estimated to have service utility after the completion of the pollution remediation activities).

The government must calculate the liability using the expected cash flow technique (i.e., the probability-weighted average of two or more discrete scenarios).

If so, do the disclosures include:

_____ The nature and source of pollution remediation obligations?

_____ The liability recognized for pollution remediation obligations (if not visible on the face of the basic financial statements)?

_____ The methods and assumptions used to calculate the liability for pollution remediation obligations?

Explanation: The government must calculate the liability using the expected cash flow technique (i.e., the probability-weighted average of two or more discrete scenarios). Accordingly, it is not appropriate to indicate that the liability the government reports is based on probable losses that are reasonably estimable (i.e., measurable).

_____ An indication that the pollution remediation obligation is an estimate and subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations?

_____ Do the notes disclose estimated recoveries that reduce the liability?

Explanation: The estimate of the pollution remediation obligation should include all remediation work that a government expects to perform, even if it expects to recover amounts from a responsible party or a potentially responsible party. The government should use the expected cash flow technique to determine the amount of expected recoveries. Such expected recoveries should reduce the government's pollution remediation expenditure or expense. If such recoveries are not yet realized or realizable, they should reduce the reported liability. However, when recoveries are actually realized or become realizable, they should be treated as an asset rather than as a reduction of the liability. This latter treatment is also appropriate in cases where recoveries become expected in a period after the completion of all pollution remediation work and a pollution remediation liability no longer exists.

Yes No N/A

If a government does not yet recognize a liability for a pollution remediation obligation because it is not reasonably estimable, do the notes disclose a general description of the nature of the pollution remediation activities? [GASB-S49: 24]

GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets, effective for fiscal periods beginning after June 15, 2009

This Statement amends certain existing questions and explanations already on the checklist. The requirements of the Statement also cause the need for certain additional questions and explanations. Following are the changes necessary to the checklist because of this Statement.

Question 6.7 is replaced by the following

*Does each column in the government-wide statement of net assets include capital assets (including infrastructure assets and intangible assets) used to support those activities? [GASB-S34: 12e, 19; 2005 GAAFR, page 126]

New explanation to question 6.7

An intangible asset should be recognized in the statement of net assets only if it is identifiable. An intangible asset is considered identifiable when either of the following conditions is met:

- The asset is capable of being separated or divided from the government and sold, transferred, licensed, rented, or exchanged, either individually or together with a related contract, asset, or liability
- The asset arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations. [GASB-S51: 6]

New Question 6.7a and explanation

Has the government appropriately capitalized its internally generated intangible assets? [GASB-S51: 7-8]

Explanation: Outlays incurred related to the development of an internally generated intangible asset that is identifiable should be capitalized only upon the occurrence of all of the following:

- Determination of the specific objective of the project and the nature of the service capacity that is expected to be provided by the intangible asset upon the completion of the project;
- Demonstration of the technical or technological feasibility for completing the project so that the intangible asset will provide its expected service capacity;
- Demonstration of the current intention, ability, and presence of effort to complete or, in the case of a multiyear project, continue development of the intangible asset.

Only outlays incurred subsequent to meeting the above criteria should be capitalized. Outlays incurred prior to meeting those criteria should be expensed as incurred.

New Question 6.7a1 and explanation

In the case of internally generated computer software, has the government only capitalized costs incurred during the application development stage? [GASBS-51: 9-15]

Explanation: Activities of the preliminary project stage should be expensed as incurred rather than being included in the cost of capital assets. These activities include the conceptual formulation and evaluation of alternatives, the determination of the existence of needed technology, and the final selection of alternatives for the development of the software. Likewise, activities of the post-implementation/operation stage should be expensed as incurred. These activities include application training, software maintenance, and data conversion beyond that necessary to make the computer software operational.

Yes No N/A

Additionally, the outlays related to the application development stage may only be capitalized once the activities in the preliminary project stage have been completed. Further, management must implicitly or explicitly authorize and commit to funding, at least currently in the case of a multiyear project, the software project in order for capitalization to commence.

Outlays associated with an internally generated modification of computer software that is already in operation should be capitalized if the modification results in any of the following:

- An increase in the functionality of the computer software,
- An increase in the efficiency of the computer software, and
- An extension of the estimated useful life of the software.

Explanations to 6.11a and 9.11a are replaced by the following

Explanation: The government should calculate the net assets invested in capital assets, net of related debt, using the following formula:

Capital assets (including appropriately reported intangible assets)
Less accumulated depreciation
Less outstanding principal of capital-related debt
Net assets invested in capital assets, net of related debt

Question 11.8b is replaced by the following question

_____ Does the SSAP disclose the method(s) used to calculate depreciation and amortization expense? [2005 GAAFR, page 202]

Question 11.8c and the related explanation are replaced by the following:

_____ 11.8c Does the SSAP disclose the estimated useful lives of capital assets? [GASB-S51: 16; 2005 GAAFR, page 202]

Explanation: The information provided concerning the useful lives of capital assets should be sufficiently detailed to be meaningful. To meet this objective, information on the useful lives of capital assets typically is disclosed separately for each major class of capital assets.

The useful life of an intangible asset that arises from contractual or other legal rights should not exceed the period to which the service capacity of the asset is limited by contractual or legal provisions. Renewal periods related to such rights may be considered in determining the useful life of the intangible asset.

Question 12.17c is replaced by the following question

_____ Do the notes report nondepreciable capital assets separately from depreciable capital assets? [GASB-S34: 116; GASB-S51: 17; 2005 GAAFR, page 226]

Explanation: Intangible assets with indefinite useful lives should be reported with nondepreciable capital assets. An intangible asset should be considered to have an indefinite useful life if there are no legal, contractual, regulatory, technological, or other factors that limit the useful life of the asset.

Questions 12.17e and 12.17f are replaced by the following questions

_____ Do the notes disclose changes in capital asset balances (including accumulated depreciation/amortization) during the period? [GASB-S34: 117b-c; 2005 GAAFR, page 226]

_____ Do the notes disclose the amount of depreciation/amortization charged to each governmental function during the period in the government-wide statement of activities? [GASB-S34: 117d; 2005 GAAFR, page 226]

Explanation: Depreciation/amortization expense of internal service funds that are closed to *governmental activities* need *not* be allocated by function, but may be reported instead simply as a separate item in its own right.

Yes No N/A

**GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*,
effective for fiscal periods beginning after June 15, 2008**

The requirements of the Statement cause the need for an additional italicized comment. Following is the change necessary to the checklist because of this Statement.

Land and other real estate held as investments by endowments should be reported at fair value at the reporting date. Changes in fair value during the period should be reported as investment income. [GASB-S52: 4]