

GOVERNMENT FINANCE OFFICERS ASSOCIATION

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

STAND-ALONE BUSINESS-TYPE ACTIVITIES CHECKLIST

This checklist is designed to assist in the review of financial reports prepared by stand-alone business-type activities. 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 stand-alone business-type activities that are not yet required to implement and have 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, stand-alone business-type activities that early implement or are planning for the implementation of Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligation*, GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Asset*, 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 to 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 combines two different sets of elements:

- *Questions from the general-purpose government checklist relevant to stand-alone business-type activities.* One important reason that a separate stand-alone business-type activities checklist is needed is that many of the questions on the general-purpose government checklist are not relevant to most stand-alone business-type activities. Accordingly, this checklist includes all and only those items from the general-purpose government checklist that are relevant to stand-alone business-type activities. For administrative purposes, the same numbering is retained in both checklists for identical items. Accordingly, breaks in the numerical sequence of the items presented in this checklist reflect simply the omission of items deemed less relevant to stand-alone business-type activities.
- *Questions unique to stand-alone business-type activities.* A second reason that a separate stand-alone business-type activities checklist is needed is to provide additional questions to address unique aspects of stand-alone business-type activities reporting. These items are distinguished from those drawn from the general-purpose government checklist by the presence of the letter "E" immediately preceding the number of the item and by the use of shading.

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.

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 comments.

This checklist is designed for a stand-alone business-type activity that is accounted for as a single enterprise fund. **It is assumed, for simplicity's sake, that a stand-alone business-type activity that uses this checklist does *not* have component units.** If it does, it should refer to the relevant questions concerning component unit presentation and disclosure in the general-purpose government checklist.

Likewise, **it is assumed that a stand-alone business-type activity that uses this checklist does *not* rely upon a property tax levy for a significant portion of its revenues.** If it does, it should supplement this checklist with the relevant questions from the general-purpose government checklist regarding property-tax-related disclosures and statistical presentations.

Finally, **it is assumed that a stand-alone business-type activity using this checklist does *not* issue general obligation debt secured by taxes that it levies and that it is *not* subject to a legal debt limit.** If it does, the relevant questions in the statistical section of the general-purpose government checklist would apply.

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)
- Statement of net assets/balance sheet
- Statement of revenues, expenses, and changes in net assets/equity
- Statement of cash flows
- 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)
- 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	-	Governmental Accounting Standards Board
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 chapters and specific paragraphs.

COVER, TABLE OF CONTENTS, AND FORMATTING

- | | | | | |
|-------|-------|-------|-----|--|
| _____ | _____ | _____ | 1.1 | Does the report cover describe the document as a “comprehensive annual financial report”? [2005 GAAFR, page 285] |
| _____ | _____ | _____ | 1.2 | Does the report cover include the name of the enterprise fund? |
| _____ | _____ | _____ | 1.3 | Does the report cover include some indication of the state in which the enterprise fund is located? [2005 GAAFR, page 286] |
| _____ | _____ | _____ | 1.4 | Does the report cover indicate the fiscal period covered? [2005 GAAFR, page 286] |

Explanation: The description of the fiscal year should include the exact date on which the fiscal year ended (e.g., for the fiscal year ended June 30, 2010).

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|-------|-------|-------|------|--|
| _____ | _____ | _____ | E1.1 | If the enterprise fund is a fund or component unit of another entity, does the report cover indicate that fact (e.g., “an enterprise fund of the City of X”)? |
| _____ | _____ | _____ | 1.5 | Is there a title page? [2005 GAAFR, page 286] If so: |
| _____ | _____ | _____ | 1.5a | Does it describe the document as a “comprehensive annual financial report”? [2005 GAAFR, page 286] |
| _____ | _____ | _____ | 1.5b | Does it indicate the fiscal period covered? [2005 GAAFR, page 286] |
| _____ | _____ | _____ | 1.5c | Does it include the name of either the individual or the department responsible for preparing the report? [2005 GAAFR, page 286] |

Explanation: It is not necessary to actually state that the report was prepared by the individual or department responsible. The name of the individual or department is sufficient.

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|-------|-------|-------|------|---|
| _____ | _____ | _____ | 1.5d | Does the title page include some indication of the state in which the enterprise fund is located? [2005 GAAFR, page 286] |
| _____ | _____ | _____ | E1.2 | If the enterprise fund is a fund or component unit of another government, does the title page indicate that fact (e.g., “an enterprise fund of the City of X”)? |
| _____ | _____ | _____ | 1.6* | Is a table of contents included that encompasses the entire report? [NCGA-S1: 139; 2005 GAAFR, page 286] If so: |
| _____ | _____ | _____ | 1.6a | Does it clearly segregate each of the three basic sections of the report (i.e., introductory section, financial section, and statistical section)? [2005 GAAFR, page 286] |

Explanation: If a report contains additional sections, these should be segregated as well in the table of contents.

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|-------|-------|-------|------|---|
| _____ | _____ | _____ | 1.6c | Does it clearly distinguish the basic financial statements (including the notes) from RSI and the other contents of the financial section? [2005 GAAFR, page 286] |
| _____ | _____ | _____ | 1.6d | Does it identify each statement and schedule by its full title? [2005 GAAFR, page 286] |
| _____ | _____ | _____ | 1.6e | Does it include a page number reference for each item? [2005 GAAFR, page 286] |

Explanation: All items on the table of contents should be accompanied by a page number. Exhibit numbers, while permitted, are not a substitute for page numbers.

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|-------|-------|-------|-----|---|
| _____ | _____ | _____ | 1.7 | If a statement or schedule occupies more than a single pair of facing pages, does the statement or schedule alert readers to this fact by including the word “continued” on the first pair of facing pages, as well as on each subsequent pair of facing pages? |
|-------|-------|-------|-----|---|

Yes No N/A

- ____ _ 1.8 Does each page have a page number?
- ____ _ 1.9 Are text and numbers throughout the report easily readable?
- ____ _ 1.10 Has the enterprise fund refrained from reporting cents?
- ____ _ 1.11 If numbers are rounded to the nearest thousand or million, is this fact clearly indicated?

INTRODUCTORY SECTION

GENERAL CONSIDERATIONS

- ____ _ 2.1 If the enterprise fund received the Certificate of Achievement for Excellence in Financial Reporting in the immediately preceding fiscal year, is a copy of that award included somewhere within the introductory section? ? [2005 GAAFR, pages 286-7]
- ____ _ 2.2 Are the enterprise fund's principal officials (elected, appointed, or both) listed somewhere within the introductory section? [2005 GAAFR, page 287]

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

- ____ _ 2.3 Is an organization chart included somewhere within the introductory section? [2005 GAAFR, page 287]

LETTER OF TRANSMITTAL

- ____ _ 2.4* Is a letter of transmittal included within the introductory section? [NCGA-S1: 139; 2005 GAAFR, page 287] If so:
- ____ _ 2.4a Is it presented on the letterhead stationery of the enterprise fund? [2005 GAAFR, page 290]
- ____ _ 2.4b Is it dated on or after the date of the independent auditor's report? [2005 GAAFR, page 290]
- ____ _ 2.4c Is it signed by at least the chief financial officer? [2005 GAAFR, page 290]

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

- ____ _ 2.4d Does it state that management is responsible for the contents of the report? [2005 GAAFR, page 288]
- ____ _ 2.4e Does it include background information on the enterprise fund?
- ____ _ 2.4f Does it contain information designed to assist users in assessing the enterprise fund's financial condition?

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

- ____ _ 2.4g Does it contain acknowledgements? [2005 GAAFR, page 290]

If the enterprise fund received the Certificate of Achievement for Excellence in Financial Reporting or some other award, the enterprise fund may mention such awards in the letter of transmittal. [2005 GAAFR, page 290]

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

_____	_____	_____	2.4h	Does the letter of transmittal direct readers to MD&A? [2005 GAAFR, page 288]
_____	_____	_____	2.4i	Has the enterprise fund refrained from duplicating information contained in MD&A or in the notes to the financial statements? [GASB-S34: 8, note 7; Q&A: 7.5.2; 2005 GAAFR, page 287]

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

FINANCIAL SECTION – REPORT OF THE INDEPENDENT AUDITOR

_____	_____	_____	3.1*	Are the basic financial statements accompanied by the report of the independent auditor? [2005 GAAFR, page 290]
_____	_____	_____	3.2	Is the report of the independent auditor presented as the first item in the financial section of the report? [2005 GAAFR, page 290]
_____	_____	_____	3.3	Did the independent auditor conduct the audit in conformity with either generally accepted auditing standards or generally accepted government auditing standards (i.e., <i>Government Auditing Standards</i>)? [2005 GAAFR, page 315]
_____	_____	_____	3.4	Did the independent auditor express an opinion on the fair presentation of the basic financial statements in conformity with GAAP?
_____	_____	_____	3.5*	Did the independent auditor express an <i>unqualified</i> opinion on the fair presentation of the basic financial statements? [2005 GAAFR, page 315]

Explanation: The independent auditor's opinion is considered to be *unqualified* unless the auditor 1) offers an adverse opinion, 2) offers a qualified opinion (i.e., fairly presented *except for...*), or 3) disclaims an opinion on all or a portion of the basic financial statements.

_____	_____	_____	3.7	Did the independent auditor refrain from indicating that RSI is either absent or otherwise potentially inadequate?
_____	_____	_____	3.8	Did the independent auditor sign and date the report?

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

_____	_____	_____	4.1*	Is MD&A presented? [GASB-S34: 68; 2005 GAAFR, page 290] If so:
_____	_____	_____	4.1a*	Is MD&A presented preceding the basic financial statements? [GASB-S34: 8; Q&A: 7.5.1; 2005 GAAFR, page 290]
_____	_____	_____	4.1c	Does MD&A provide condensed financial data extracted from the basic financial statements? [GASB-S34: 11b; 2005 GAAFR, page 331]

Explanation: The condensed data should include:

- Total assets (distinguishing between capital assets and other assets)
- Total liabilities (distinguishing between long-term liabilities and other liabilities)
- Total net assets/equity (distinguishing *invested in capital assets, net of related debt, restricted net assets*; and *unrestricted net assets*)
- Operating revenues (by major source)
- Nonoperating revenues (by major source)

Yes No N/A

- Operating expenses and nonoperating expenses (as presented in the statement of revenues, expenses and changes in net assets/equity)
- Excess or deficiency (before any contributions to term and permanent endowments, special items, extraordinary items, and transfers)
- Contributions
- Special and extraordinary items
- Transfers
- Change in net assets
- Ending net assets

_____ 4.1d* Does MD&A present condensed financial data for both the current fiscal period and the preceding fiscal period? [GASB-S34: 11b; 2005 GAAFR, page 292]

_____ E4.1 If comparative financial statements are presented, does MD&A provide condensed financial data for three years (i.e., the current year, the previous year, and the year preceding the previous year)?

Explanation: The requirement to present data for three years is applicable only if the enterprise fund presents complete financial statements for two years, not merely *comparative data on the face of the basic financial statements*.

_____ 4.1e Does MD&A provide an overall analysis of the entity’s financial position and results of operations? [GASB-S34: 11c; 2005 GAAFR, page 293]

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

_____ 4.1e1 Does it specifically address whether the entity’s overall financial position has improved or deteriorated? [GASB-S34: 11c; 2005 GAAFR, page 293]

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

If economic factors significantly affected the operating results of the current period, they should be discussed as part of this analysis. [GASB-S34: 11c; 2005 GAAFR, page 293]

_____ 4.1f1 Does MD&A address whether restrictions, commitments, or other limitations significantly affect the availability of fund resources for future use? [GASB-S34: 11d; 2005 GAAFR, page 293]

_____ 4.1h Does MD&A describe significant capital asset and long-term debt activity during the year? [GASB-S34: 11f; 2005 GAAFR, pages 293-4]

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

_____ 4.1h1 Does the discussion of capital asset and long-term debt activity refer readers interested in more detailed information to the notes to the financial statements? [GASB-S34: note 8; 2005 GAAFR, pages 293-4]

_____ 4.1i If the enterprise fund uses the modified approach to account for one or more networks or subsystems of infrastructure assets, does MD&A state that fact? [GASB-S34: 11g; 2005 GAAFR, page 294] If so:

_____ 4.1i1 Does the discussion of the use of the modified approach include a comparison of current condition levels with target condition levels established by the enterprise fund? [GASB-S34: 11g(2); 2005 GAAFR, page 294]

If the modified approach is used, mention also should be made of 1) any significant changes in the condition levels of infrastructure assets and 2) any significant differences between the estimated amount necessary to maintain and

preserve infrastructure assets at target condition levels and the actual amounts of expense incurred for that purpose during the period. [GASB-S34: 11g(1), (3); 2005 GAAFR, page 294]

The enterprise fund should disclose any other “currently known facts, conditions, or decisions” that are expected to have a significant effect on financial position (net assets) or results of operations (revenues, expenses, and other changes in net assets/equity). [GASB-S34: 11h; 2005 GAAFR, page 294]

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

- The award and acceptance of a major grant;
- The adjudication of a significant lawsuit;
- A flood that caused significant damage to the enterprise fund’s capital assets.

The emphasis is on things that have actually happened rather than those that might happen (e.g., the possible award of a grant).

_____ 4.1j Do the amounts reported in MD&A agree with related amounts in the basic financial statements?

_____ 4.1k Has the enterprise fund refrained from addressing in MD&A topics not specifically prescribed by SGAS 34? [GASB-S37: 4-5; Q&A: 7.5.7; 2005 GAAFR, page 292]

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

FINANCIAL SECTION – BASIC FINANCIAL STATEMENTS

PRELIMINARY CONSIDERATIONS

_____ 5.1* Is a full set of basic financial statements presented (i.e., a statement of net assets or a balance sheet, a statement of revenues, expenses, and changes in fund net assets/equity, and a statement of cash flows)? [GASB-S34: 91; 2005 GAAFR, page 33]

_____ 5.2 Are all of the basic financial statements referred to by their appropriate titles? [2005 GAAFR, page 286]

_____ 5.3 Are all of the basic financial statements grouped together at the front of the financial section of the report? [2005 GAAFR, page 295]

_____ 5.4 Do all of the basic financial statements include a reference to the notes? [2005 GAAFR, page 295]

_____ 5.6* Has the enterprise fund refrained from making direct adjustments to equity except in those situations specifically contemplated by GAAP? [*Audits of State and Local Governments* 10.02; 2005 GAAFR, pages 282-3]

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

_____ 5.7* Do the enterprise fund financial statements articulate (i.e., tie)?

A transaction in which an enterprise fund receives or is entitled to resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues should be reported as a collateralized borrowing rather than as a sale unless the specific criteria for reporting as a sale are met. [GASB-S48: 5-18]

Explanation: *The transaction should be reported as a sale of receivables only if all of the following criteria are met:*

- *Transferee can pledge or sell the receivables without significant transferor-imposed limitations;*
- *Transferor cannot reacquire specific accounts through a unilateral transfer of substitute accounts;*
- *Agreement is not cancelable by either party;*
- *Transferor is isolated from the cash collections of the receivables.*

The transaction should be reported as a sale of revenues only if all of the following criteria are met:

- *Transferor has no active involvement in the generation of the future revenues;*
- *Transferee can pledge or sell the future revenues without significant transferor-imposed limitations;*
- *Transferor is isolated from the cash collections of the future revenues;*
- *No prohibition against transfer or assignment of the resources;*
- *Agreement is not cancelable by either party.*

If an enterprise fund pledges future revenues to support the debt of a component unit without receiving resources in exchange, it should not recognize a liability, nor should the component unit recognize an asset as a result of and at the time of the pledge. Instead, the pledging enterprise fund should recognize a liability to the debt-issuing component unit and an expense simultaneously with the recognition of the pledged revenues. The debt-issuing component unit should recognize revenue when the pledging enterprise fund is obligated to make the payments. [GASB-S48: 19-20]

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

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

_____ 6.10 If the enterprise fund has issued special assessment debt for which it is obligated in some manner, has it reported such amounts as *special assessment debt with governmental commitment*? [GASB-S6: 17b(1); 2005 GAAFR, pages 281-2]

_____ 6.11d Has the enterprise fund refrained from reporting designations within *net assets* or *equity*? [2005 GAAFR, page 282]

The enterprise fund should refrain from reporting capitalization contributions to public-entity risk pools as an equity interest in a joint venture. [GASB-I4; 2005 GAAFR, page 265]

Explanation: *If a capitalization contribution is made to a public-entity risk pool that does not pool or transfer risk, the capitalization contribution should be treated as a deposit or, if there is a liability for claims and judgments, as a reduction of that liability. If the capitalization contribution is made to a public-entity risk pool that does pool or transfer risk, the appropriate treatment depends on whether the enterprise fund considers it probable that the capitalization contribution will be returned. If the return of the capitalization contribution is considered probable, then it should be treated by the participating enterprise fund as a deposit (an asset or, if there is a liability for claims and judgments, as a reduction of that liability). If the return of the contribution is not considered probable, a prepaid asset should be reported.*

Both an asset and a liability should be reported for securities lending arrangements collateralized with cash (or collateralized with securities that may be pledged or sold without a default). [GASB-S28: 6; 2005 GAAFR, page 249]

Both an asset and a liability should be reported for reverse repurchase agreements, except for those of the yield-maintenance variety. [GASB3: 81; 2005 GAAFR, page 249]

_____ 7.4 Has the enterprise fund refrained from reporting overdrafts of pooled cash and investments as a negative asset balance (i.e., *negative cash*)? [Audits of State and Local Governments 5.27; 2005 GAAFR, page 244]

If the enterprise fund is a participant in a cost-sharing multiple-employer defined benefit plan, the enterprise fund should report a liability for required contributions related to employee services provided during the year that have not been made to the cost-sharing plan. [GASB-TB 04-2: 6-9]

Explanation: *In the case of a cost-sharing multiple-employer defined benefit plan, the amount of the expense that should be recognized for a fiscal year is equal to the sum of:*

- *Amounts contributed (paid) during the financial reporting period as contractually required contributions for pay periods within that period; and*
- *Any additional unpaid contractually required contributions for one or more pay periods within that period.*

Accordingly, the fund should report a liability for the unpaid contractually required contributions, that is, the unpaid contributions that relate to one or more pay periods within the financial reporting period.

For example, assume that at year-end an enterprise fund has paid the contractually required contributions of \$700,000 due to a cost-sharing benefit plan for the first six months (July through December) of the enterprise fund’s fiscal year ended June 30, 2007. The contractually required contributions of \$800,000 due to the plan for the second six months (January through June) of the fiscal year will be included in a payment that is scheduled on a date subsequent to year-end (e.g., August 15, 2007). For this benefit plan the enterprise fund should recognize an expense of \$1,500,000 and a liability of \$800,000 in the financial statements for the year ended June 30, 2007.

Medicare Part D payments from the federal government are a separate transaction from the exchange of services for salaries and benefits (including postemployment benefits provided to retirees) between the employer enterprise fund and the employees. When an employer enterprise fund receives the Medicare Part D payments directly, as is typically the case when the benefits are provided through a single-employer OPEB plan, the payments should be recognized following the guidance for voluntary nonexchange transactions. Thus, the employer enterprise fund should recognize an asset and revenue when all applicable eligibility requirements are met.

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|-------|-------|-------|-------|---|
| _____ | _____ | _____ | 8.12b | Has the enterprise fund refrained from reporting realized gains and losses on investments separately from unrealized gains and losses? [GASB-S31: 13; 2005 GAAFR, page 209] |
| _____ | _____ | _____ | 8.15 | Has the enterprise fund refrained from reporting negative investment income as an expense (instead of a revenue)? [Q&A: 6.28.6; 2005 GAAFR, page 74] |

STATEMENT OF NET ASSETS/BALANCE SHEET

- | | | | | |
|-------|-------|-------|------|--|
| _____ | _____ | _____ | 9.9* | Are assets and liabilities classified as <i>current</i> and <i>long-term</i> ? [GASB-S34: 97; 2005 GAAFR, page 183] |
| _____ | _____ | _____ | 9.9a | Are restricted assets and liabilities payable from restricted assets reported in the same category? [2005 GAAFR, page 160] |

Explanation: The *GAAFR* recommends that both be classified as *current* when the liability would otherwise meet the definition of a current liability.

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|-------|-------|-------|-------|--|
| _____ | _____ | _____ | E9.1 | Are bond anticipation notes reported as current liabilities unless they meet the criteria of FASB Statement No. 6, <i>Classification of Short-term Obligations Expected to be Refinanced</i> , for refinancing on a long-term basis? [NCGA-I9: 12; 2005 GAAFR, page 278] |
| _____ | _____ | _____ | E9.2 | Are demand bonds reported as current liabilities unless a financing agreement exists that assures any “put” bonds can be refinanced on a long-term basis? [GASB-I1: 9-10; 2005 GAAFR, page 274] |
| _____ | _____ | _____ | E9.3 | Is the net pension obligation (NPO)/net other postemployment benefit obligation (NOPEBO), if any, properly reported (i.e., positive balance = liability, negative balance = asset)? [GASB-S27: 17; 2005 GAAFR, page 275] |
| _____ | _____ | _____ | E9.4 | Is there a subtotal for “total liabilities?” [NCGA-S 1, appendix A, example 1] |
| _____ | _____ | _____ | 9.11* | Is the difference between assets and liabilities reported as <i>net assets</i> or <i>equity</i> ? [GASB-S34: 98, note 40; 2005 GAAFR, page 183] |

Yes No N/A

____ ____ ____ 9.11a* Are the net assets invested in capital assets, net of related debt, correctly calculated? [GASB-S34: 33; 2005 GAAFR, pages 161-2]

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

Capital assets
Less accumulated depreciation
Less outstanding principal of capital-related debt
Net assets invested in capital assets, net of related debt

____ ____ ____ 9.11a1* Has the enterprise fund refrained from including financial assets, including interfund loans, in the calculation of net assets invested in capital assets, net of related debt? [GASB-S34: 33; Q&A 7.23.11; 2005 GAAFR, page 161]

____ ____ ____ 9.11a2* Has the enterprise fund refrained from including noncapital accrued liabilities (e.g., compensated absences, claims and judgments, landfill closure and postclosure costs) in the calculation of net assets invested in capital assets, net of related debt? [GASB-S34: 33; 2005 GAAFR, page 53]

____ ____ ____ 9.11a3* Has the enterprise fund refrained from including unspent proceeds from debt in the calculation of net assets invested in capital assets, net of related debt? [GASB-S34: 33; Q&A 7.23.2; 2005 GAAFR, page 161]

____ ____ ____ 9.11a4* Has the enterprise fund refrained from including interest payable and the accrued interest on deep discount debt in the calculation of net assets invested in capital assets, net of related debt? [Q&A 7.22.9]

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

____ ____ ____ 9.11a5* Has the enterprise fund included debt that refunded capital-related debt in the calculation of net assets invested in capital assets, net of related debt? [Q&A 7.23.3]

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

____ ____ ____ 9.11a6* Has the enterprise fund excluded debt used to finance capital acquisition by parties outside the proprietary funds from the calculation of net assets invested in capital assets, net of related debt? [Q&A 7.23.10; 2005 GAAFR, page 323]

____ ____ ____ 9.11b Are only amounts with externally imposed restrictions (e.g., through debt covenants or by grantors) or restrictions imposed by law through constitutional provisions or enabling legislation included in the calculation of restricted net assets? [GASB-S34: 34; Q&A 7.24.1; 2005 GAAFR, pages 53-4]

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

If an enterprise fund has both permanently and temporarily restricted net assets, the amount reported for "restricted net assets" should be divided between "nonexpendable" (i.e., permanently restricted) and "expendable" (i.e., temporarily restricted) amounts. [GASB-S34: 35; 2005 GAAFR, page 163]

____ ____ ____ 9.11c Are unrestricted net assets correctly calculated?

____ ____ ____ 9.11c1 Does the calculation of unrestricted net assets include the net assets related to joint ventures? [Q&A 7.25.1; 2005 GAAFR, page 265]

Yes No N/A

- ____ ____ ____ 9.11d* Has the enterprise fund refrained from reporting either *contributed capital* or *retained earnings*? [GASB-S34: 98; 2005 GAAFR, page 183]
- ____ ____ ____ 9.11e* Has the enterprise fund refrained from reporting changes in the fair value of investments as a contra-equity account (instead of including the change as part of *investment income*)? [GASB-S31: 13; 2005 GAAFR, page 74]

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

- ____ ____ ____ 9.12* Does the statement distinguish between operating and nonoperating revenues and expenses? [GASB-S34: 100; 2005 GAAFR, page 186]
- ____ ____ ____ 9.12a Has the enterprise fund refrained from including taxes and grants within the operating category? [GASB-S34: 102; 2005 GAAFR, page 186]
- ____ ____ ____ 9.12b Is *operating income/loss* reported as a separate line item? [GASB-S34: 100; 2005 GAAFR, page 186]
- ____ ____ ____ E9.6 If the enterprise fund is the lessor in an operating lease with scheduled rent increases as part of the contract terms, has it refrained from recognizing revenues in accordance with those terms (unless the increases are based on some underlying factor, such as increased property values or increased use of leased property) and instead recognized revenue on a straight-line basis over the contract period or on the basis of the estimated fair value of the rentals? [GASB-S13: 4-7]

Explanation: The enterprise fund normally must hold title to a capital asset if the debt used to acquire it is to be classified as "related debt."

- ____ ____ ____ 9.13 Are revenue and expense classifications sufficiently detailed to be meaningful? [2005 GAAFR, page 186]
- ____ ____ ____ 9.14 Are revenues used as security for revenue bonds reported separately from other revenues? [GASB-S34: 100; 2005 GAAFR, page 186]

Explanation: No special indication of pledged revenues is required if essentially all revenues of a given enterprise fund are pledged. Also, if different revenues are pledged to support different debt issues, there is no requirement that the different revenues be reported separately (which is the function of segment disclosure).

- ____ ____ ____ 9.15 If capital assets are reported, is depreciation expense reported separately from other expenses? [APB12: 5]
- ____ ____ ____ E9.7 If the enterprise fund is the lessee in an operating lease with scheduled rent increases as part of the contract terms, has it refrained from recognizing expense in accordance with those terms (unless the increases are based on some underlying factor, such as increased property values or increased use of leased property) and instead recognized expense on a straight-line basis over the contract period or on the basis of the estimated fair value of the rentals? [GASB-S13: 4-7]
- ____ ____ ____ 9.16* Has the enterprise fund reported each of the following items separately: capital contributions, additions to endowments, special items, and extraordinary items? [GASB-S34: 100-101; 2005 GAAFR, pages 186-7]
- ____ ____ ____ 9.17 Has the enterprise fund refrained from reporting extraordinary gains or losses in connection with refunding transactions that result in the defeasance or redemption of debt? [GASB-S23: 4; 2005 GAAFR, pages 106-7]

STATEMENT OF CASH FLOWS

Yes No N/A

_____ 9.18* Does the statement categorize cash flows as follows: *cash flows from operating activities; cash flows from noncapital financing activities; cash flows from capital and related financing activities; and cash flows from investing activities?* [GASB-S9: 15; 2005 GAAFR, page 189]

_____ 9.18a* Are cash flows from operating activities reported by major classes of receipts and disbursements (i.e., the *direct* method)? [GASB-S9: 31; 2005 GAAFR, page 189]

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

_____ 9.18b Has the enterprise fund refrained from including receipts and payments of interest as *cash flows from operating activities* (except in the case of program loans)? [GASB-S9: 58; 2005 GAAFR, pages 189-90]

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

_____ 9.18c Has the enterprise fund refrained from combining *cash flows for noncapital financing activities* and *cash flows from capital and related financing activities* into a single *cash flows from financing activities* category? [GASB-S9: 53-54; 2005 GAAFR, page 189]

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

_____ 9.18d Has the enterprise fund refrained from reporting disbursements for the acquisition of capital assets as *cash flows from investing activities*? [GASB-S9: 57a; 2005 GAAFR, page 190]

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

_____ 9.19 Are cash receipts and cash payments generally reported gross rather than net? [GASB-S9: 12-14; 2005 GAAFR, page 189]

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

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

_____ 9.20 Does the figure reported as *cash and cash equivalents* at the end of the period trace to a similar account or accounts on the statement of fund net assets/balance sheet? [GASB-S9: 8; 2005 GAAFR, pages 243-4]

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

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

_____ 9.21 Is the statement accompanied by a schedule that reconciles *operating income* and *cash flows from operating activities*? [GASB-S9: 7; 2005 GAAFR, page 191]

Explanation: This reconciliation must be presented either on the face of the statement of cash flows or on the next page. Note disclosure is *not* sufficient to meet the requirement.

Yes No N/A

_____ 9.22 Is the statement accompanied by information (in narrative or tabular form) concerning investing, capital, or financing activities of the period that affected recognized assets or liabilities but did *not* result in cash flows? [GASB-S9: 37; 2005 GAAFR, page 191]

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

[SECTION 10 HAS BEEN OMITTED FROM THIS CHECKLIST]

FINANCIAL SECTION – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (SSAP)

_____ 11.1* Does the enterprise fund present an 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) accounting practices unique to the public sector, and 3) unusual or innovative applications of GAAP. [APB 22: 12; 2005 GAAFR, pages 199-200]

_____ 11.4+ If the enterprise fund itself is a component unit, does the SSAP identify the primary government and describe the nature of the relationship? [GASB-S14: 65; 2005 GAAFR, page 200]

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

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

_____ 11.8 Does the SSAP address the enterprise fund'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]

_____ 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 enterprise fund 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]

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

_____ 11.12 Does the SSAP disclose whether the enterprise fund has implemented private-sector guidance issued after November 30, 1989? [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 enterprise fund 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 enterprise fund 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 enterprise fund 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]*
- 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]*
- _____ 11.16 Does the SSAP disclose how inventories are valued? [APB 22: 12; 2005 GAAFR, page 205]

Explanation: For enterprise funds, it is appropriate to value inventories held for sale at the lower of cost or market. Inventories of supplies, on the other hand, ordinarily are reported at cost.

- _____ 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]

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

- _____ 12.2 Do the notes disclose the legal and contractual provisions governing cash deposits with financial institutions? [GASB-S3: 65-66; 2005 GAAFR, pages 206-9]
- The notes should disclose material violations of these provisions. [GASB-S3: 66; 2005 GAAFR, page 224]*
- If the enterprise fund 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-enterprise fund’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- enterprise fund's name, be disclosed.

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

If the enterprise fund 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 enterprise fund'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; 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 only requires that 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 enterprise fund's name, be disclosed.

_____ 12.6 Has the enterprise fund refrained from including any such investments that are not subject to custodial credit risk because they are not evidenced by securities? [GASB-S40: 9; 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 enterprise funds, real estate, direct investments in mortgages and other loans, annuity contracts, and guaranteed investment contracts.

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

_____ 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, page 212]

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

An enterprise fund 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). [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 enterprise fund 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 to the financial statements should disclose that fact. Also, the notes should disclose 1) the enterprise fund'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. [TB 03-1; 2005 GAAFR, page 218]

If fair value is not based on quoted market prices, disclose the method used to estimate fair value along with all significant assumptions. [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 an enterprise fund 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. [TB 03-1: 9; 2005 GAAFR, page 218]

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

Explanation: Credit risk is the risk that a counterparty will not fulfill its obligations. When an enterprise fund is exposed to credit risk, it should disclose the following: credit ratings, maximum amount of loss (excluding collateral or other security), 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 enterprise fund would need to disclose both the derivatives' payment terms and the payment terms of the enterprise fund's associated debt.

Termination risk arises when the unscheduled termination of a derivative could have an adverse effect on the enterprise fund's asset or liability strategy or could lead to potentially significant unscheduled payments. When termination risk is present, an enterprise fund 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.

Rollover risk arises when a derivative associated with an enterprise fund'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, an enterprise fund would need to disclose both the maturity of the derivative and the maturity of the associated debt.

Market-access risk arises when an enterprise fund 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, an enterprise fund would need to describe the circumstances.

The notes should disclose contingent liabilities. [GASB-S 10: 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 220192]

_____	_____	_____	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: 4; 2005 GAAFR, page 224]
_____	_____	_____	12.10a	If a violation is significant, do the notes identify actions that the enterprise fund 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 enterprise fund 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 enterprise fund 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]

Yes	No	N/A		
_____	_____	_____	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]
_____	_____	_____	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: 16aai; 2005 GAAFR, page 225]
				<i>If the enterprise fund 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 enterprise fund 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 enterprise fund 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 226]
_____	_____	_____	12.13b	Do the notes disclose the minimum lease payments for each of the five succeeding fiscal years? [NCGA-S5: 27; FASB-S13: 23aai; 2005 GAAFR, page 226]
				<i>If the enterprise fund is the lessor in a capital lease, the notes should disclose, as applicable, 1) any unguaranteed residual value accruing to the enterprise fund, 2) any unearned income, and 3) the total of any contingent rentals of the period. [NCGA-S5: 27; FASB-S91: 25; FASB-S13: 23aiv; 2005 GAAFR, pages 225-6]</i>
_____	_____	_____	12.14	If the enterprise fund 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: 23bi; 2005 GAAFR, page 226]
_____	_____	_____	12.15	If the enterprise fund 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: 23bii; 2005 GAAFR, page 226]
_____	_____	_____	12.16	If the enterprise fund 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 enterprise fund'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]
_____	_____	_____	12.17c	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 the enterprise fund if it is not already separately displayed on the statement of revenues, expenses, and changes in net assets/equity? [GASB-S34: 117d; 2005 GAAFR, page 226; APB12: 5]
				<i>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]</i>
				<i>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]</i>
				<i>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]</i>
				<i>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]</i>
_____	_____	_____	12.18	Do the notes furnish information on the enterprise fund'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]
_____	_____	_____	12.18c	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]
_____	_____	_____	12.18e	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]
_____	_____	_____	12.21	If the enterprise fund has been the recipient of an endowment, do the notes provide all of the note disclosures required by GAAP? [GASB-S34: 121; 2005 GAAFR, page 228]

Explanation: In regard to endowments, the notes should disclose all of the following:

- Amounts of net appreciation on investments that are available for spending;
- An explanation of how available amounts are reflected in *net assets*;
- State law governing the ability to spend net appreciation;
- Policy for authorizing and spending investment income.

_____	_____	_____	12.22	Do the notes discuss the enterprise fund'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 enterprise fund? [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]

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 enterprise fund 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 enterprise fund and the pool? [GASB-S10: 77c; 2005 GAAFR, page 228]
_____	_____	_____	12.22d	If the enterprise fund 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 enterprise fund 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 enterprise fund 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.

_____	_____	_____	12.25	If the enterprise fund encompasses more than one segment, do the notes disclose the types of goods or services provided by the segments? [GASB-S34: 122a; 2005 GAAFR, page 229]
_____	_____	_____	12.25a	Does the enterprise fund report condensed financial data for each segment? [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]

Yes No N/A

_____	_____	_____	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 enterprise fund 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 enterprise fund discussed this fact? [GASB-S38: 12; 2005 GAAFR, page 232] If so:
_____	_____	_____	12.26a	Has the enterprise fund provided a schedule of changes in short-term debt (i.e., beginning of period balance, increases, decreases, end of period balance)? [GASB-S38: 12a; 2005 GAAFR, page 232]
_____	_____	_____	12.26b	Has the enterprise fund provided an explanation of the purpose for which the debt was issued? [GASB-S38: 12b; 2005 GAAFR, page 232]
				<i>If the enterprise fund 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.</i> [NCGA-I6: 5; 2005 GAAFR, page 232]
_____	_____	_____	12.27	If the enterprise fund 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 enterprise fund in the future? [GASB-S14: 75a(1); 2005 GAAFR, page 233]
				<i>If the enterprise fund participates in a jointly governed organization, the notes should provide any relevant information on related party transactions.</i> [GASB-S14: 77; 2005 GAAFR, page 233]
_____	_____	_____	12.28	If the enterprise fund undertook a refunding during the period that either defeased or redeemed the refunded debt, do the notes disclose this fact? [GASB-S7: 11-14; 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]

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-19: 12; FASB-S6: 15; 2005 GAAFR, page 235]

If the enterprise fund 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 236-7]

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

_____ 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 enterprise fund is acting only as an agent and is no way liable for the debt? [GASB-S6: 21; 2005 GAAFR, pages 236-7]
_____	_____	_____	12.32	If the enterprise fund has demand bonds outstanding at the end of the fiscal period, do the notes provide all of the disclosures required by GAAP? [GASB-I1: 11; 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: An enterprise fund 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 an enterprise fund 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]

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 enterprise fund as an employer benefits from on-behalf payments of fringe benefits and salaries for its employees, do the notes disclose the amounts recognized during the period? [GASB-S24: 12; 2005 GAAFR, pages 237-8]
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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 enterprise fund has issued conduit debt, the notes should provide all of the disclosures required by GAAP. [GASB-12: 3; 2005 GAAFR, page 238]

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

_____ 12.35 If the enterprise fund 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:

_____ 12.36 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]

If the enterprise fund has issued revenue bonds, the notes could provide a summary of related bond covenants. [2005 GAAFR, page 240]

_____ 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]

If the enterprise fund is subject to a legal debt margin, the notes could disclose information on the legal debt limit. [2005 GAAFR, page 240]

If the enterprise fund is authorized to issue debt that has not yet been issued, the notes could disclose this fact. [2005 GAAFR, page 240]

_____ 12.37 If the enterprise fund reports either special items or extraordinary items, do the notes describe the underlying events? [APB30: 11; 2005 GAAFR, page 240]

_____ 12.38 If the enterprise fund reports a prior-period adjustment or a change in accounting principle, do the notes explain the nature of the adjustment or change? [APB20: 33, 35, and 37; 2005 GAAFR, page 240]

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]

The enterprise fund 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]

If the enterprise fund 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]

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 enterprise fund 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 enterprise fund reports 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 enterprise fund 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 enterprise fund has pledged future revenues, do the notes include the required disclosures? [GASB-S48: 21]

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

_____ 12.40a 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 enterprise fund 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 enterprise fund refrained from negative disclosure? [2005 GAAFR, page 241]

Explanation: There generally is no need to disclose that a particular situation is *not* applicable to the enterprise fund. There are two exceptions to this basic rule:

- Situations where GAAP specifically require the disclosure of *whether* a given set of circumstances apply to the enterprise fund; and
- 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-RELATED NOTE DISCLOSURES

NOTE: An enterprise fund 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 enterprise fund participates in a defined benefit plan, do the notes provide information on the arrangement? [GASB-S27: 20-1; GASB-S45: 24-5; 2005 GAAFR, pages 221-2] If so:

_____ 13.1a Do the notes describe the 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: An enterprise fund 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 enterprise fund are not reduced.

Yes No N/A

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

Explanation: See explanation for 13.1e.

If the enterprise fund participates as an employer 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]

_____ 13.1f If the enterprise fund 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-TB2004-2: 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, an enterprise fund 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 enterprise fund 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 enterprise fund 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 enterprise fund participates in either a single-employer or agent multiple-employer defined benefit plan, do the notes provide additional information? [GASB-S27: 21; 2005 GASB-S45: 25; GAAFR, pages 221-2] If so:

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

Explanation: The enterprise fund 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 annual pension cost? [GASB-S27: 21a; GASB-S45: 25a; 2005 GAAFR, page 222]

Yes No N/A

Explanation: If an NPO or NOPEBO exists, annual pension cost will comprise 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/ at the end of the year? [GASB-S27: 21a; GASB-S45: 25a;2005 GAAFR, page 222]
- _____ 13.2e Do the notes disclose the annual pension 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 annual amount of pension cost contributed for the current year and the two preceding years (expressed as a percentage of pension cost)? [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]

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]
- _____ 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 the enterprise fund 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]

Yes No N/A

_____	_____	_____	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 economic assumptions (e.g., inflation rate, healthcare cost trend rate), the notes should disclose both the initial and ultimate rates. [GASB-S45: 25d; GASB-S50: 8b3a; 2005 GAAFR, page 222]</i>
_____	_____	_____	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 enterprise fund 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-S25: 35; 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 enterprise fund 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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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)?
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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?
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Explanation: FUNDED RATIO = ACTUARIAL VALUE OF ASSETS/ACTUARIAL ACCRUED LIABILITY [expressed as a percentage].

_____	_____	_____	13.2L6	Do the notes disclose the annual covered payroll?
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Yes	No	N/A		
_____	_____	_____	13.2L7	<p>Do the notes disclose the ratio of the unfunded actuarial accrued liability to annual covered payroll?</p> <p><i>If the assumptions 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-S50: 8b(3)(a)]</i></p>
_____	_____	_____	13.2m	<p>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-S43: 30d(2)(b); GASB-S50:8b; 2005 GAAFR, page 350]</p>
_____	_____	_____	13.2n	<p>Do the notes disclose the actuarial methods and significant assumptions used? [GASB-S45: 25d; GASB-S50: 8b]</p> <p><i>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.</i></p>
_____	_____	_____	13.2o	<p>If the enterprise fund 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]</p>
_____	_____	_____	13.2o1	<p>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?</p>
_____	_____	_____	13.2o2	<p>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?</p>
_____	_____	_____	13.2o3	<p>Do the notes disclose that actuarial calculations reflect a long-term perspective?</p> <p><i>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.</i></p>
_____	_____	_____	13.2p	<p>Does the OPEB plan qualify for and has it elected to use the alternative measurement method? [GASB-S45: 33-35]</p>

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 enterprise fund 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 enterprise fund participates in a defined contribution pension 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 pension plan? [GASB-S27: 27a; GASB-S45: 31a; 2005 GAAFR, page 223]
_____	_____	_____	13.3b	Do the notes disclose the entity that administers the pension plan? [GASB-S27: 27a; GASB-S45: 31a; 2005 GAAFR, page 223]
_____	_____	_____	13.3c	Do the notes identify the arrangement as a defined contribution pension 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 enterprise fund participates as an employer 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; GASB-S45: 28; 2005 GAAFR, pages 223-4]

If the enterprise fund 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 enterprise fund’s own employees. [GASB-S27: 28; GASB-S45: 32; 2005 GAAFR, page 224]

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]
_____	_____	_____	14.3*	If the enterprise fund uses the modified approach for one or more networks or subsystems of infrastructure assets, is information on these networks and subsystems provided as RSI? [GASB-S34: 132-3; 2005 GAAFR, pages 297-8]
_____	_____	_____	14.3a	Does RSI provide information on the assessed condition of all infrastructure assets accounted for using the modified approach for at least the three most recently completed condition assessments? [GASB-S34: 132a; 2005 GAAFR, page 297]

Explanation: Trend information is only required as it becomes available.

_____	_____	_____	14.3b	Does RSI disclose the enterprise fund’s estimate for each of the past five years of the amount needed to maintain or preserve infrastructure assets at the condition level established by the enterprise fund? [GASB-S34: 132b; 2005 GAAFR, page 297]
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Explanation: See explanation for 14.3a.

_____ 14.3c Does RSI disclose the actual amounts expended on maintenance and preservation of infrastructure assets for each of the past five years? [GASB-S34: 132b; 2005 GAAFR, page 297]

Explanation: See explanation for 14.3a.

_____ 14.3d Do notes accompany RSI? [GASB-S34: 133; 2005 GAAFR, pages 297-8] If so:

_____ 14.3d1 Do notes to RSI disclose the basis for the condition measurement and the measurement scale used to assess and report condition? [GASB-S34: 133a; 2005 GAAFR, pages 297-8]

_____ 14.3d2 Do notes to RSI disclose the condition level at which the enterprise fund intends to preserve its infrastructure assets? [GASB-S34: 133b; 2005 GAAFR, pages 297-8]

The notes to RSI should disclose factors that significantly affect trends in the information reported in the required schedules. [GASB-S34: 133c; 2005 GAAFR, page 298]

If there is a change in the condition level at which the enterprise fund intends to preserve infrastructure assets, the notes to RSI should estimate the effect of the change on the estimated annual amount in the current period to maintain and preserve those assets. [GASB-S34: 133c; 2005 GAAFR, page 298]

NOTE: Enterprise funds that are not yet required to implement and have not early implemented GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, should refer to the relevant questions in Part 1 of the *Checklist Supplement* following section 19.

_____ 14.4* If the enterprise fund either sponsors a single-employer defined benefit plan or participates in an agent multiple-employer defined benefit plan, does RSI provide trend information on funding progress for the last three actuarial valuations? [GASB-S25: 34, 37; GASB-S43: 35; GASB-S50: 9; 2005 GAAFR, page 282]

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

_____ 14.4a 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.

In the case of defined benefit OPEB plans the actuarial valuation should be performed:

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

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

_____ 14.4b Does the schedule disclose the actuarial value of plan assets? [GASB-S25: 37; 2005 GAAFR, page 335]

Yes No N/A

_____ 14.4c 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. This is also true for OPEB plans, except when the aggregate actuarial cost is used for funding purposes. In this case the schedule must still be presented, but it should be prepared using the entry age actuarial cost method.

_____ 14.4d 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*.

_____ 14.4e 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].

_____ 14.4f Does the schedule disclose annual covered payroll? [GASB-S25: 37; 2005 GAAFR, page 335]

_____ 14.4g Does the schedule disclose the ratio of the total unfunded actuarial accrued liability to annual covered payroll? [GASB-S25: 37; 2005 GAAFR, page 335]

_____ 14.5* If the enterprise fund sponsors a single-employer defined benefit pension plan that uses the aggregate actuarial cost method, does RSI either present a schedule of employer contributions or indicate how users may obtain a copy of the pension plan's separately issued report? [GASB-S25: 34; 2005 GAAFR, page 299]

_____ 14.6 If the cost-sharing plan in which an enterprise fund participates does not issue and make publicly available a stand-alone plan financial report and the plan is not included in the financial report of another entity, does the cost-sharing enterprise fund present schedules of funding progress and employer contributions for the plan? [GASB-S45: 27; GASB-S50: 10] If so:

_____ 14.6a Do the notes disclose that the information presented relates to the cost-sharing plan as a whole and that the government is only one participating employer in the plan? [GASB-S45: 27; GASB-S50: 10]

_____ 14.6b Do the notes provide information helpful for understanding the scale of the information presented relative to the enterprise fund? [GASB-S45: 27; GASB-S50: 10]

_____ 14.7* If the enterprise fund sponsors a public-entity risk pool, does the RSI present ten years of data on revenues and claims development (unless the notes contain a reference to a separately issued report)? [GASB-S30: 7; 2005 GAAFR, page 299]

Explanation: The specific contents of RSI for risk pools are as follows:

- A table displaying:
 1. Premium and investment revenues (past 10 fiscal years), presented as follows:
 - gross amounts earned
 - amounts ceded (for example, reinsurance)
 - net revenues
 2. Unallocated claim adjustment expenses and other costs (past 10 fiscal years)
 3. Incurred claims and allocated claim adjustment expenses as originally reported (past 10 fiscal years), presented as follows:
 - gross amounts incurred
 - amounts ceded (for example, reinsurance)
 - net incurred
 4. Cumulative payments related to item no. 3 at the end of each policy year

Yes No N/A

5. Re-estimated ceded losses and expenses
 6. Re-estimated net incurred claims and claim adjustment expenses at the end of each year
 7. The change between nos. 3 and 6
- Reconciliation of claims liabilities by type of contract, including an analysis of changes in liabilities for claims and claim adjustment expenses of the current fiscal year and the prior year, in the same tabular format prescribed for the note disclosure reconciliation described earlier

_____ 14.8 Has the enterprise fund refrained from including information as required supplementary information that the authoritative accounting literature does not designate as such? [2005 GAAFR, page 330]

[SECTIONS 15, 16, AND 17 HAVE BEEN OMITTED FROM THIS CHECKLIST]

STATISTICAL SECTION

- _____ 18.1* Does the report include a statistical section? [NCGA-S1: 138-139] If so:
- _____ E18.1 Does the statistical section present net assets by the three individual components of net assets (i.e., invested in capital assets net of related debt, restricted, and unrestricted)? [GASB-S44: 9; 2005 GAAFR, page 331]
- _____ E18.2 Does the statistical section present the changes in net assets? [GASB-S44: 10a; Q&A 9.8.1; 2005 GAAFR, page 331] If so:
- _____ E18.3 Are operating revenues and expenses presented separately from nonoperating revenues and expenses?
- _____ E18.4 Are revenues presented by major source?
- _____ E18.5 Are operating and nonoperating expenses presented (at the level of detail reported in the statement of revenues, expenses and changes in net assets/equity)?
- _____ E18.6 Are other changes in net assets presented (e.g., capital contributions, special items)?
- _____ E18.7 Does the table present the total change in net assets?
- _____ 18.1e Does the statistical section present information for the major components of the revenue base of the enterprise fund's most significant own-source revenue? [GASB-S44: 14-15; Q&A 9.12.4; 2005 GAAFR, page 306]

Explanation: At a minimum, the enterprise fund must present information for its most significant own-source revenue. Generally, the largest own-source revenue will be a charge for service (e.g., usage charges for utilities, landing fees for airports, tuition for colleges, passenger fares for transit authorities). However, if an enterprise fund has a second own-source revenue that is nearly as significant as the first, it should also consider presenting information for that second revenue source.

- _____ 18.1e1 Does the table present the direct rate applied to the revenue base?
- _____ 18.1f Does the statistical section present each individual direct rate applied to the revenue base for the enterprise fund's most significant own-source revenue and the total of those rates? [GASB-S44: 16; 2005 GAAFR, page 306]
- When an enterprise fund has a restriction on its ability to raise its rates that limitation should be disclosed on the face of the table. [GASB-S44: 16]*
- _____ 18.1g Does the statistical section present information about the enterprise fund's payors or remitters for the enterprise fund's largest own-source revenue? [GASB-S44: 19-21; Q&A 9.22.1; 56; 2005 GAAFR, page 306] If so:

Explanation: If an enterprise fund does not have any principal payors because all payors remit approximately the same amount, the schedule of principal payors need not be presented. In this case, the enterprise fund could include information that describes important characteristics that affect how much is paid by an individual payor. For example, higher education institutions would not normally have information about principal payors of tuition, but could provide information about the resident versus nonresident status of students.

When legal prohibitions do not allow for the presentation of information by individual payors, enterprise funds should present alternative information. For example, rather than the inclusion of individual payors, an enterprise fund could present a schedule that shows the amount of revenue by payor type.

_____	_____	_____	18.1g1	Does the table include the amount of the revenue base attributable to each or the actual revenue from each and the percentage of each amount relative to the total revenue base or total revenues?
_____	_____	_____	18.1g2	Does the table include the ten largest payors (unless fewer are required to reach 50 percent of the total revenue base or total revenue)?
_____	_____	_____	18.1g3	Is the information presented for the current fiscal period and the fiscal period ended nine years prior?
_____	_____	_____	18.1j	Does the statistical section separately present, by type, the outstanding debts, as well as the total outstanding debt for the enterprise fund? [GASB-S44: 23-26; Q&A 9.24.1, 9.26.1, 9.27.1, and 9.27.2; 2005 GAAFR, page 307] If so:
_____	_____	_____	18.1j1	Does the statistical table include the ratio of total outstanding debt to personal income (or other economic base if information on personal income is inappropriate for assessing a particular revenue base)?

Explanation: If personal income information is not an appropriate denominator for the enterprise fund, another appropriate economic base should be used to calculate the amount.

_____	_____	_____	18.1j3	Does the table include the amount of total outstanding debt per capita (or other economic base if information on population is inappropriate for assessing a particular revenue base)?
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Explanation: If population is not an appropriate denominator to use for the calculation of the per capita amount of outstanding debt, a more relevant alternative should be used for the calculation. A public utility could use the number of customers or ratepayers; an airport, the number of enplaned passengers; a transit authority, the number of riders; a college, the number of students.

_____	_____	_____	18.1m	Does the statistical section include coverage information for non-general obligation debt that is secured by a pledged revenue stream? [GASB-S44: 30; 2005 GAAFR, pages 308-309] If so, does the statistical table include all of the following:
_____	_____	_____	18.1m1	Separate information for each type of debt outstanding?
_____	_____	_____	18.1m2	The gross amount of pledged revenues and, if applicable, the subtraction of specific operating expenses to result in the amount of net available revenues?
_____	_____	_____	18.1m3	The amount of debt service principal and interest requirements?
_____	_____	_____	18.1m4	The coverage ratio (i.e., net available revenue divided by the total debt service requirements)?
_____	_____	_____	18.1m5	A description of the nature of the revenue pledged for each type of debt?
_____	_____	_____	18.1n	Does the statistical section present demographic and economic indicators? [GASB-S44: 32-33; 2005 GAAFR, page 309]

Explanation: Enterprise funds should strive to present current data and other data specific to their type of operations. Accordingly, an enterprise fund should consider other alternatives if population, total personal income, per capita personal income, and unemployment rate are not particularly relevant.

If so, are the following items included:

_____	_____	_____	18.1n1	Population?
_____	_____	_____	18.1n2	Total personal income (if not presented with the ratios of outstanding debt)?
_____	_____	_____	18.1n3	Per capita personal income?
_____	_____	_____	18.1n4	The unemployment rate?
_____	_____	_____	18.1o	Does the statistical section provide information about the principal employers in the enterprise fund’s jurisdiction? [GASB-S44: 34; 2005 GAAFR, page 309] If so:
_____	_____	_____	18.1o1	Are the total employees and the percentage of total employment that each listed employer represents presented?
_____	_____	_____	18.1o2	Are the ten largest employers presented unless fewer are required to reach 50 percent of total employment?
_____	_____	_____	18.1o3	Is the information presented for the current fiscal period and the fiscal period ended nine years prior?
_____	_____	_____	18.1p	Does the statistical section provide operating information for the enterprise fund? [GASB-S44: 35-38; 2005 GAAFR, page 309] If so, are the following types of information presented:
_____	_____	_____	18.1p1	The number of the enterprise fund’s employees?

Explanation: Alternative categorizations can be used if they are more meaningful or more obtainable than information by program or identifiable activity.

_____	_____	_____	18.1p2	Indicators of the level of demand for services?
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Explanation: It is not necessary for enterprise funds to begin collecting information to present in this category. Instead, enterprise funds should choose relevant items from information that is already available. The enterprise fund should select items that it believes provide an indication of the demand for and the volume of services it provides to its citizens.

_____	_____	_____	18.1p3	Available information about the volume, usage, or nature of the enterprise fund’s capital assets by identifiable activity?
_____	_____	_____	18.1q	Does the statistical section discuss the methods used to produce the information it contains, as well as any significant assumptions that were made in the preparation of the information? [GASB-S44: 41; 2005 GAAFR, page 310]
_____	_____	_____	18.1r	Does the statistical section include appropriate analytical and educational explanations? [GASB-S44: 42; 2005 GAAFR, page 310]

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

- Explanations of the objectives of statistical section information in general and the five categories of statistical section information, as well as individual schedules of information;
- Explanations of basic concepts that may be unfamiliar to financial report users;
- Explanations that identify relationships among the information in various statistical section schedules, as well as between the statistical section and information in other sections of the financial report;

Yes No N/A

- Explanations of atypical trends and anomalous data that the financial report users would not otherwise understand. Such trends and data may result from infrequent incidents, changes in underlying assumptions or accounting methods, organizational restructuring, major policy changes, or other events.

_____	_____	_____	18.1s	Do the amounts reported in the statistical tables agree with related amounts reported in the financial section?
_____	_____	_____	18.1t	Has the enterprise fund indicated the source of all non-accounting data presented in the statistical section?
_____	_____	_____	18.1u	If the enterprise fund has presented less than ten years of data on a statistical table that normally requires ten years of data, is the reason for this exception disclosed?

OTHER CONSIDERATIONS

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

CHECKLIST SUPPLEMENT

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

An enterprise fund 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 enterprise funds that were phase 3 for the implementation of SGAS 34.

An enterprise fund 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 enterprise funds that were phase 2 for the implementation of SGAS 34; and for fiscal periods beginning after December 15, 2008, for enterprise funds that were phase 3 for the implementation of SGAS 34.

_____ If the enterprise fund 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 enterprise fund 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]

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]

Yes No N/A

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

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 enterprise fund 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:

Yes No N/A

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

Explanation: The enterprise fund 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 these 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]

_____ 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 an enterprise fund 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]

Yes No N/A

If the enterprise fund 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 enterprise fund 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 enterprise fund 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 enterprise fund's own employees. [GASB-S27: 28; 2005 GAAFR, page 224]

If the enterprise fund 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.

Yes No N/A

_____ 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 enterprise fund 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 enterprise fund'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
- 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 enterprise fund 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]

Yes No N/A

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]

_____ 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 enterprise fund 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 enterprise fund 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 or deletes 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.

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

Yes No N/A

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

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

- The enterprise fund is compelled to take remediation action because pollution creates an imminent endangerment to public health or welfare or the environment, leaving the enterprise fund little or no discretion to avoid remediation action;
- The enterprise fund is in violation of a pollution prevention-related permit or license;
- The enterprise fund 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 an enterprise fund responsible for sharing costs;
- The enterprise fund is named, or evidence indicates that it will be named, in a lawsuit to compel the enterprise fund 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 enterprise fund 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 enterprise fund 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 enterprise fund 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 enterprise fund recognizes a liability. However, an enterprise fund 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 enterprise fund 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 enterprise fund 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 enterprise fund 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 an enterprise fund expects to perform, even if it expects to recover amounts from a responsible party or a potentially responsible party. The enterprise fund should use the expected cash flow technique to determine the amount of expected recoveries. Such expected recoveries should reduce the enterprise fund'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.

_____ Are an enterprise fund 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.

New questions, subquestions and related explanations

_____ Are intangible assets reported as capital assets? [GASB-S34: 12e, 19; GASB-S51: 6; 2005 GAAFR, page 251]

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. []

_____ 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.

_____ 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.

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:

Yes No N/A

- 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.

Explanation to 9.11a is 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

Questions 11.8band 11.8c are replaced by the following question

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

_____ 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.

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]