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Auditor of State



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Small Government GFOA Program

Presented by: Tracie McCreary

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Overview of Certificate of Conformance Program

- Professional recognition program designed to help small governments that, for practical considerations, do not prepare financial statements in conformity with generally accepted accounting principles (GAAP) improve the quality of their annual financial reports.



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Program Objectives

- Provide a uniform set of nationally recognized guidelines for governments electing to report on a basis of accounting other than GAAP.
- Improve the quality and consistency of small government annual financial reports across the country.



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Program Objectives

- Provide a stepping stone to GAAP financial reporting for those governments interested in moving in that direction.
- Encourage small governments to take ownership and pride in their own financial statements.



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How can the program help?

- Designed to improve the quality and consistency of small government annual financial reports by:
 - Providing guidelines to help standardize the format and content of annual financial reports prepared on a modified cash basis.



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How can the program help?

- Encouraging governments to follow those guidelines by offering public recognition to those that successfully do so; and
- Assisting governments to implement the guidelines by providing technical materials and training.



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How does it differ from the Certificate of Achievement Program?

- The Certificate of Conformance Program
 - Encourages compliance with basic norms of sound financial reporting in situations where GAAP financial reporting is not practical.
- The Certificate of Achievement Program
 - Recognizes outstanding achievement in financial reporting, which presupposes financial reporting in conformity with GAAP.



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Who can participate?

- Any type of government
- Primary government revenues of \$25 million or less either for:
 - Current year, or
 - Average of the five most recent years
- Where GAAP financial report is
 - Not required
 - Not prepared in the past 5 years



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SGAFR

- Program report referred to as a small government annual financial report (SGAFR)
 - Includes both an introductory section and a financial section
 - Includes five-year trend tables instead of a statistical section.



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Deadlines

- The normal deadline will be six months following the fiscal year end of the government submitting a report.

Modified Cash Basis of Accounting

- Modifications to cash receipt and disbursement transactions or events only
- Modifications should have substantial support in GAAP or other accounting literature and be logical
 - Such as recording interfund receivables and payables resulting from cash transactions or events

Modified Cash basis framework for Certificate Program

- Only cash (and cash equivalents) and items that involve the receipt or disbursement of cash (or cash equivalents) during the period should be recognized, except:
 - Interfund balances
 - Assets that normally convert to cash or cash equivalents; and
 - Liabilities for cash (or cash equivalents) held on behalf of others, held in escrow, or received in advance of being earned or meeting eligibility requirements

Basic Financial Statements

- Requirements of GAAP for basic financial statement presentation, but applied in a manner consistent with a modified cash basis and program requirements

Basic Financial Statements

- Basic Financial Statements consistent with GAAP
- Budgetary comparisons for the general fund and major special revenue funds with legally adopted annual budgets must be presented as basic financial statements

Note Disclosure

- Similar to those required by GAAP if relevant to any of the items recognized under the modified cash basis.
- Other note disclosures related to matters not presented on the face of the financial statements, as considered necessary or required by the program guidelines

Required Supplementary Information (RSI)

- By definition, not required for reports not presented in accordance with GAAP.
- Program Requirements
 - Budgetary comparisons must be presented as a basic financial statement
 - Certain information normally included as part of MD&A will be part of the transmittal letter

Other Financial Section Information

- Combining and individual fund financial statements and schedules
 - Including budgetary comparisons at the legal level of control for all individual governmental funds with legally adopted annual or biennial budgets

Other financial section information

- Schedules of five-year trend data, as applicable:
 - Net Position
 - Changes in net position
 - Fund balances
 - Revenues, expenditures and changes in fund balances
 - Outstanding debt by type

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Government Finance Officers Association

FREQUENTLY ASKED QUESTIONS (FAQ)

Certificate of Conformance Program for Small Government Annual Financial Reports

What is the Certificate of Conformance Program for Small Government Annual Financial Reports?

The Certificate of Conformance Program for Small Government Annual Financial Reports (Certificate of Conformance Program) is a professional recognition program designed to help small governments that for practical considerations do not prepare financial statements in conformity with generally accepted accounting principles (GAAP) improve the quality of their annual financial reports.

How can the Certificate of Conformance Program help improve the quality and consistency of small government annual financial reports?

The Certificate of Conformance Program is designed to improve the quality and consistency of small government annual financial reports by:

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

How does the Certificate of Conformance Program relate to the Certificate of Achievement for Excellence in Financial Reporting Program?

The Certificate of Conformance Program is designed to encourage *compliance* with basic norms of sound financial reporting in situations where GAAP financial reporting is not

practical. The Certificate of Achievement for Excellence in Financial Reporting Program (Certificate of Achievement Program) recognizes *outstanding achievement* in financial reporting, which presupposes financial reporting in conformity with GAAP. For some governments, participation in the Certificate of Conformance Program may be a first step toward GAAP financial reporting and participation in the Certificate of Achievement Program.

Which governments qualify to participate in the Certificate of Conformance Program?

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

What constitutes a “modified cash basis” presentation for purposes of the Certificate of Conformance Program?

The Certificate of Conformance Program prescribes a modified cash basis financial reporting framework that is consistent with the provisions of the American Institute of Certified Public Accountants’ (AICPA) auditing standards for *special purpose frameworks*.¹ For purposes of the Certificate of Conformance Program, a “modified cash basis” presentation must meet all of the following criteria:

- (a) The report must comply, in substance, with the basic requirements of GAAP for financial statement presentation, but applied in a manner consistent with a modified cash basis. For example, a small general purpose government would need to present a combination of government-wide and fund financial statements (i.e., *compliance, in substance, with the basic requirements of GAAP*), but would use the same modified cash basis for presenting data in both (i.e., *applied in a manner consistent with a modified cash basis*);
- (b) Only cash (and cash equivalents) and items that involve the receipt or disbursement of cash (or cash equivalents) during the period should be recognized, except as follows:
 - (1) *Interfund receivables and payables* that arise from transactions and events involving cash or cash equivalents must be recognized;

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

- (2) *Assets that normally convert to cash or cash equivalents* (e.g., certificates of deposit, marketable investments, and receivables resulting from loans) that arise from transactions and events involving cash or cash equivalents must be recognized;
- (3) *Liabilities for cash (or cash equivalents) held on behalf of others, held in escrow, or received in advance of being earned or meeting eligibility requirements* must be recognized;²
- (c) Note disclosures similar to those required by GAAP must be made if they are relevant to any of the items listed in (b); and
- (d) Other note disclosures related to matters not presented on the face of the financial statements should be provided, as considered necessary.

Do reports submitted to the Certificate of Conformance Program have to present required supplementary information (RSI)?

No. By definition, RSI is relevant only to financial reports prepared in conformity with GAAP.

What happens to information that normally would be presented as RSI?

The Certificate of Conformance Program prescribes alternative treatments for certain information that is presented as RSI in connection with GAAP financial reports:

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

Do governments that participate in the Certificate of Conformance Program have to prepare a comprehensive annual financial report (CAFR)?

No. The Certificate of Conformance Program requires that the basic financial statements and certain other information be presented as part of a small government annual

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

financial report (SGAFR) rather than as part of a comprehensive annual financial report (CAFR). A SGAFR, like a CAFR, must include both an introductory section and a financial section. Conversely, unlike a CAFR, a SGAFR does *not* have to include a statistical section.

What specific information must be provided in addition to the basic financial statements in a SGAFR?

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

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

When will the Certificate of Conformance Program begin to accept applications?

The Certificate of Conformance Program will begin to accept applications for the fiscal year that ended June 30, 2012. Submissions will have to be received by no later than May 31, 2013. The Program is offering a five month deadline allowance to all submissions during its first year. A list of the deadlines can be found on the GFOA's website.

How can governments interested in participating in the Certificate of Conformance Program obtain detailed information on program requirements?

Checklists are available on the GFOA's website for general purpose governments, school districts, and stand-alone business-type entities (enterprise funds).

How will submissions to the Certificate of Conformance Program be judged?

Reports submitted to the Certificate of Conformance Program will be judged by a combination of volunteer reviewers and GFOA professional staff, as is now the case for the Certificate of Achievement for Excellence in Financial Reporting Program.

What will it cost to participate in the program?

The fee for participating in the Certificate of Conformance Program is based on the total amount of revenues reported in the government-wide financial statements (excluding discretely presented component units), as follows:

<u>Total Revenues</u>	<u>GFOA Member Fee</u>	<u>Nonmember Fee</u>
Under \$1 million	\$290	\$580
\$1-10 million	\$370	\$740
Over \$10 million	\$435	\$870

Nonmembers that submit for the first time receive a GFOA membership that allows them to submit at the member rate.

What are the advantages of submitting to the Certificate of Conformance Program?

All governments that participate in the Certificate of Conformance Program will receive 1) a grade assigned to each of section of their report and 2) a list of specific comments and suggestions for improvement. If the report meets the program’s criteria, the participating government also will receive a plaque and a press release. A complete list of all award-winning reports will be maintained on the GFOA’s website. First-time winners of the award will be announced in the *GFOA Newsletter*.

The Certificate of Conformance Program normally will provide results within six months of receiving a submission, which should give the government adequate time to implement comments and suggestions in its next report.

NAME OF GOVERNMENT, STATE
ANNUAL FINANCIAL REPORT
For the fiscal year ended
June 30, 2023

Prepared by:

Department of Finance and Administration

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Name of Government
Annual Financial Report
For the Fiscal Year Ended June 30, 2023
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INTRODUCTORY SECTION

LETTERHEAD OF GOVERNMENT

October 22, 2023

To the Honorable Mayor, Members of the Council, and Citizens of the NAME OF GOVERNMENT:

The management of the Name of Government is pleased to provide this annual financial report to its citizens, taxpayers, and other interested parties to demonstrate its accountability and communicate the government's financial position and resource flows as of and for the year ended June 30, 2023. Management of the government is responsible for the fair presentation of this annual financial report, for maintaining appropriate internal control over financial reporting, and for complying with applicable finance-related laws, regulations, and provisions of grants and contracts. The government reports its financial statements and schedule on a modified cash basis, which management has determined is an acceptable financial reporting framework that differs from generally accepted accounting principles (GAAP). All of the financial analyses in this report should take into consideration the limitations inherent in the modified cash basis of accounting.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

West, Lee, Roberts & Co., Certified Public Accountants, have issued their independent auditor's report on these financial statements and schedule which includes an unqualified ("clean") opinion on all of the opinion units of the NAME OF GOVERNMENT'S financial statements for the year ended June 30, 2023. The independent auditor's report is located at the front of the financial section of this report.

Profile of the government

The NAME OF GOVERNMENT, incorporated in 1902, is located in the central part of the state, close to the state capital. It currently occupies 2 square miles and serves a population of 2,378. The NAME OF GOVERNMENT is empowered to levy sales taxes within its boundaries. Presently, the NAME OF GOVERNMENT levies no property tax. In accordance with state law, a municipality may only levy a property tax to retire general obligation debt approved by the voters and to pay judgments rendered against the government.

The NAME OF GOVERNMENT operates under the mayor-council form of government. Policy-making and legislative authority are vested in a Council consisting of the mayor and five other members, all of whom are elected by ward. Council members serve four-year terms, with three members elected every two years. The Mayor is elected for a four-year term. The Mayor, with Council approval, appoints the NAME OF GOVERNMENT's manager, who in turn appoints its department heads.

The NAME OF GOVERNMENT provides a full range of services, including police and fire protection; refuse collection; snow and leaf removal; traffic control; on-and-off street parking; building inspections; licenses and permits; vital statistics; airport; the construction and maintenance of highways, streets, and other infrastructure; and recreational and culture activities. Certain utility services, including electric, water, wastewater, and sanitation, are provided through a legally separate Public Works Authority, which functions, in essence, as a department of the NAME OF GOVERNMENT with the City Council serving as the trustees of the Authority, and therefore has been included as an integral part of the NAME OF GOVERNMENT'S financial statements (note I.B).

The Council is required to adopt an initial budget for the fiscal year that begins July 1 no later than the preceding May 30. The Council is required to adopt a final budget by no later than the close of the fiscal year. This annual budget serves as the foundation for the NAME OF GOVERNMENT'S financial planning and control. Annual budgets are adopted on the modified cash basis for the general fund, public safety fund, and street improvement sales tax fund. The budget is prepared by fund, function (e.g., public safety), and department (e.g., police). The government's department heads may transfer appropriations within a department. Transfers of appropriations between departments require the approval of the Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Local economy

The NAME OF GOVERNMENT is a small community that has a lot to offer its citizens and visitors. The local lake offers hiking and horse riding trails, fishing, playground facilities, campgrounds, and RV hookups. In addition to the lake, the NAME OF GOVERNMENT'S park has a swimming pool, a half-mile walking trail, basketball courts, playground equipment, tennis courts, cooking facilities, pavilions, fountains, and restrooms, in addition to a winding creek and scenic gazebo.

The NAME OF GOVERNMENT is also home to a nine-hole golf course and downtown stores full of arts, crafts, collectibles, and antiques. The downtown area also gives citizens access to two banks. The NAME OF GOVERNMENT also has a multitude of civic organizations operating within its boundaries. Additionally, four primary and secondary schools serve the educational needs of the citizens in the area.

The NAME OF GOVERNMENT recently completed a \$1.6 million wastewater project, major street renovations in the downtown area, and is continually working to modernize the government in an effort to provide quality services to its citizens.

The government's unemployment rate has been relatively low and stable since it peaked in 2020. The current unemployment rate is 6.7 percent lower than the national rate of 8.3 percent. This unemployment rate is also much lower than the 2020 record of 8 percent during the peak of the national economic recession (the highest unemployment rate in 10 years for the government). The lower unemployment rate coupled with expected future job growth of 28 percent over the next ten years, offers a positive economic future for the NAME OF GOVERNMENT.

Median household incomes within the NAME OF GOVERNMENT are significantly lower than for the state and the nation, but when considered with the lower cost of living in the area, are not an indication of economic problems. According to the census data from the year 2020, median household income was \$41,392 for the NAME OF GOVERNMENT and \$58,099 for the state.

The NAME OF GOVERNMENT'S population has increased 11.6 percent in the last 10 years due to new housing developments in the area. Although there has been development, the median single family home price was \$153,500, which was a decline of 17 percent from the previous year. The softening of the housing market has affected the local economy significantly. However, since the NAME OF GOVERNMENT does not levy property taxes, it has not affected the government's financial position directly.

In the previous fiscal year, three police officers and two firefighters have retired or been terminated, thereby significantly decreasing public safety expenses. One police officer was hired during the fiscal year. The government expects to fill the remaining vacant positions within the next two years.

The significant decrease in expenses for highways and streets from the previous three years is due to the completion of the Main Street Reconstruction Project during the previous year. Comparable expenses for road repairs are not anticipated during the next five years.

Governmental activities have experienced a loss of grant revenue from the previous year. Financial hardship at the state level is the cause of the decline. The government believes this decrease represents a delay in grant receipts, rather than a permanent decrease in grant revenues.

Financial Analysis

The government-wide financial statements are reported using the modified cash basis of accounting. Under this basis of accounting, only cash (and cash equivalents) and items that

involve the receipt or disbursement of cash (or cash equivalents) during the period are recognized, except as follows:

- (1) *Interfund receivables and payables* that arise from transactions and events involving cash or cash equivalents are recognized;
- (2) *Assets that normally convert to cash or cash equivalents* (e.g., certificates of deposit, marketable investments, and receivables resulting from loans) that arise from transactions and events involving cash or cash equivalents are recognized; and
- (3) *Liabilities for cash (or cash equivalents) held on behalf of others, held in escrow, or received in advance of being earned or meeting eligibility requirements* are recognized.

As a result of the use of this modified cash basis of accounting, certain transactions are not recorded in the financial statements. For example, accounts receivable and revenue for billed or provided services that have not been collected in cash are not accrued as revenue or receivables. Additionally, capital assets such as property, equipment, and infrastructure are not reported and long-term liabilities such as debt and compensated absences also are not reported on the face of the financial statements. However, the government's long-term debt obligations are disclosed in the notes to the financial statements.

STATEMENT OF NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Total assets	\$ 832,090	\$ 853,947	\$ 989,428	\$ 598,425	\$ 1,821,518	\$ 1,452,372
Total liabilities	4,299	2,182	56,883	49,686	61,182	51,868
Net position:						
Restricted	741,288	684,257	313,003	380,022	1,054,291	1,064,279
Unrestricted	86,503	167,508	619,542	168,717	706,045	336,225
Total net position	827,791	851,765	932,545	548,739	1,760,336	1,400,504

For the year ended June 30, 2023, the overall modified cash basis net position of the government has increased by \$359,832.

Governmental activities' net position decreased in the amount of \$23,974. The primary reason for the decrease is a significant decrease in grant revenue from the prior year. Some of this decrease can be attributed to a one-time grant for damage sustained from the earthquake the government experienced in the previous fiscal year. The rest is related to the state's financial

hardship and is expected to be a result of a delay in grants due to budgeting delays rather than a permanent decrease in grants the government will receive from the state.

Business-type activities' modified cash basis net position increased \$383,806. This is primarily due to the business-type activities receiving note proceeds of \$500,000 on June 21, 2023, for Smart Meters, and not expending these proceeds before June 30, 2023.

STATEMENT OF ACTIVITIES

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Program revenues:						
Charges for services	\$ 67,443	\$ 69,547	\$ 2,986,819	\$ 2,648,979	\$ 3,054,262	\$ 2,718,526
Operating grants and contributions	67,763	312,784	-	-	67,763	312,784
Capital grants and contributions	54,371	532,024	-	-	54,371	532,024
General revenues:						
Sales and use taxes	1,075,967	1,011,104	-	-	1,075,967	1,011,104
Franchise taxes and public service taxes	37,325	39,111	-	-	37,325	39,111
Intergovernmental revenue not restricted to specific programs	23,731	35,147	-	-	23,731	35,147
Unrestricted investment earnings	1,701	5,978	638	1,845	2,339	7,823
Miscellaneous	87,357	79,034	59,509	60,489	146,866	139,523
Proceeds from long-term debt	-	-	500,000	-	500,000	-
Total revenues	1,415,658	2,084,729	3,546,966	2,711,313	4,962,624	4,796,042
Expenses:						
General government	207,224	657,014	-	-	207,224	657,014
Public safety	1,007,087	945,841	-	-	1,007,087	945,841
Highways and streets	148,582	334,876	-	-	148,582	334,876
Culture and recreation	281,709	257,479	-	-	281,709	257,479
Airport	63,021	65,748	-	-	63,021	65,748
Interest on long-term debt	-	2,022	-	-	-	2,022
Electric	-	-	1,918,775	1,922,654	1,918,775	1,922,654
Water	-	-	222,936	195,014	222,936	195,014
Sewer	-	-	444,893	272,145	444,893	272,145
Sanitation	-	-	308,565	208,524	308,565	208,524
Total expenses	1,707,623	2,262,980	2,895,169	2,598,337	4,602,792	4,861,317
Increase (decrease) in net position before transfers	(291,965)	(178,251)	651,797	112,976	359,832	(65,275)
Transfers	267,991	260,278	(267,991)	(260,278)	-	-
Increase (decrease) in net position	(23,974)	82,027	383,806	(147,302)	359,832	(65,275)
Net position - beginning	851,765	769,738	548,739	696,674	1,400,504	1,466,412
Net position - ending	\$ 827,791	\$ 851,765	\$ 932,545	\$ 549,372	\$ 1,760,336	\$ 1,401,137

GOVERNMENTAL FUNDS

For the fiscal year ended June 30, 2023, the governmental funds reported a combined fund balance of \$827,791. The General Fund experienced a decrease in fund balance in the amount of \$87,727. This decrease occurred because the government has hired a new police officer, while sales tax revenues increased slower than anticipated. The Public Safety Fund's total fund balance increased by \$65,278. A portion of sales taxes must be used for specific approved public

safety expenditures in this fund (for example, police and fire overtime during holidays and celebrations). No expenditures were necessary from this fund for the current fiscal year.

GENERAL FUND BUDGET

Original budget compared to final budget. During the year, no significant amendments were made to estimated revenues. Appropriations for expenditures were slightly increased from the original budget to reflect more realistic expectations based on new information. Culture and recreation expenditures were amended to include the additional staff added for new programs introduced to the community by the parks and recreation department.

Final budget compared to actual results. The most significant differences between estimated revenues and actual revenues were as follows:

Revenue source	Estimated revenues	Actual revenues	Difference
Sales taxes	\$ 802,195	\$ 828,777	\$ 26,582
Intergovernmental	43,000	65,678	22,678
Charges for services	35,200	12,372	(22,828)
Fines and forfeitures	61,000	48,278	(12,722)
Miscellaneous	111,200	81,164	(30,036)

Sales tax estimates were bleak compared to actual results because of the post-recession recovery experienced this fiscal year. Due to fiscal trouble on the state level, the budget was pessimistic about grant revenues, which ended up amounting to more than anticipated. Conversely, revenues for charges for services, fines and forfeitures, and miscellaneous amounts were overestimated.

A review of actual expenditures compared to appropriations in the final budget yields no significant variances, with one exception. Actual expenditures for the general government function were \$202,464, or \$32,313 less than appropriated. This is the result of successfully implemented cost-cutting measures.

PROPRIETARY FUND

For the fiscal year ended June 30, 2023, the Public Works Fund reported a modified cash basis net position of \$932,545. The fund experienced an increase in modified cash basis net position in the amount of \$383,806. The increase in the modified accrual basis fund net position is a result of note proceeds that remain unspent at the end of the fiscal year. The proceeds will be spent on the acquisition of Smart Meters for the downtown area.

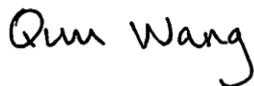
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Conformance to NAME OF GOVERNMENT for its Annual Financial Report for the fiscal year ended June 30, 2023. This was the ninth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Conformance, the government had to publish an easily readable and efficiently organized Small Government Annual Financial Report that satisfied Certificate of Conformance Program requirements.

A Certificate of Conformance is valid for a period of one year only. We believe that our current financial report continues to meet the Certificate of Conformance Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report could not have been accomplished without the efficient and dedicated service of the entire staff of the Finance Department. They are a very competent group of professionals dedicated to their work and the long-term fiscal condition of NAME OF GOVERNMENT. We wish to thank all government departments for their assistance in providing the data necessary to compile this report. Credit also must be given to the mayor and the governing council for their unfailing support for maintaining the highest standards of professionalism in the management of the NAME OF GOVERNMENT'S finances.

Respectfully Submitted,



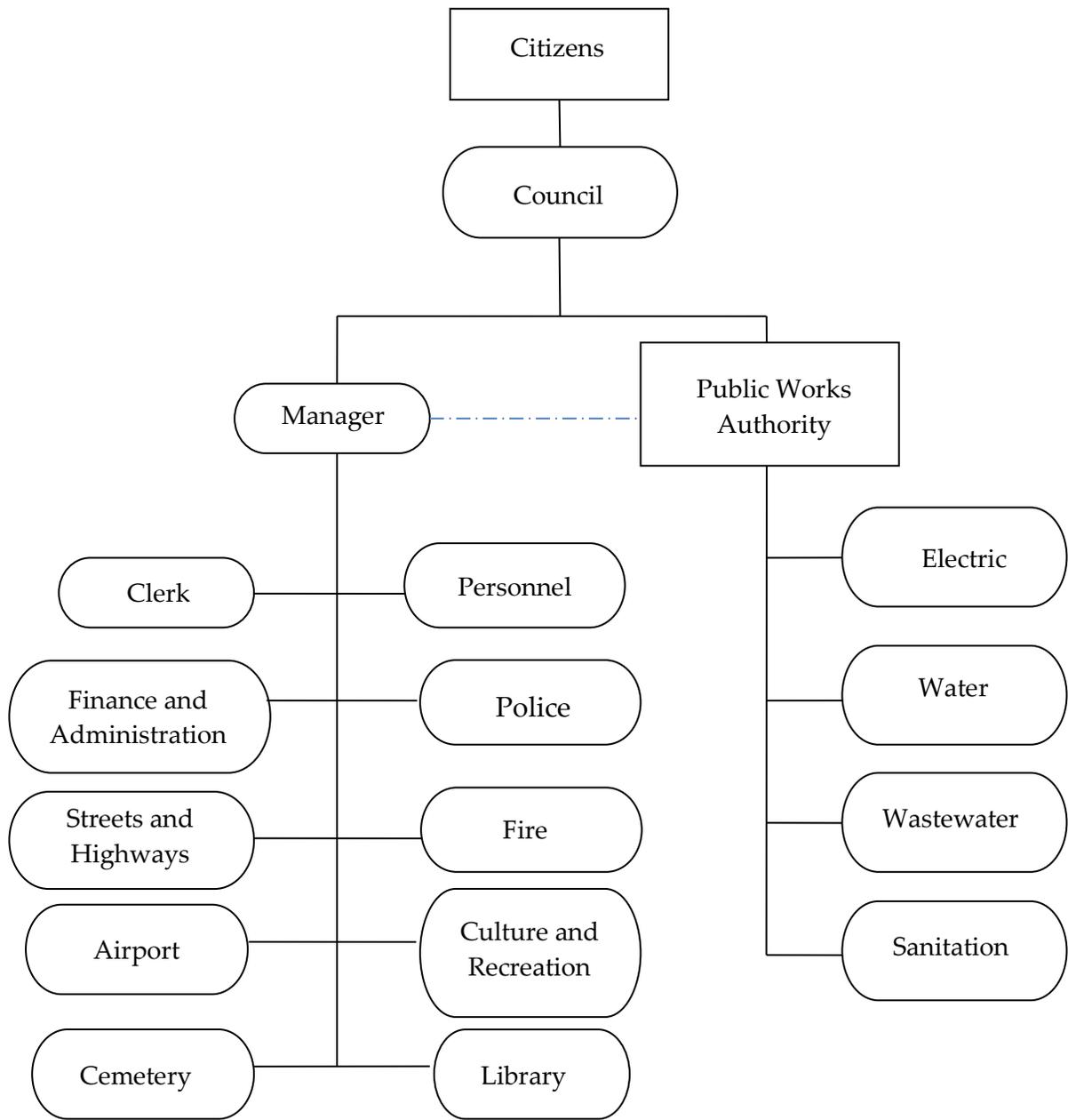
Qun Wang, Manager



Kathie Schultz, Finance Director

Certificate of
Conformance Program
Certificate

Name of Government Organizational Chart



Name of Government
List of Elected and Appointed Officials
June 30, 2023

Elected Officials

Mayor	Barbara J. McCown
Council Member - Ward I	Marc Christian
Council Member - Ward II	Paul Édouard
Council Member - Ward III	Gregory Joseph
Council Member - Ward IV	Sawyer D. Christopher
Council Member - Ward V	Lincoln D. Frederick

Appointed Officials

Manager	Qun Wang
Assistant Manager	Zhikuan Hu
Clerk	James A. Phillips
Culture and Recreation Director	Robert Kotchen
Finance Director	Kathie Schultz
Assistant Finance Director	Carole Colin
Fire Chief	Robbin D. Henry
Personnel Director	Julius G. Howard III
Police Chief	Stephen J. Gates
Streets and Highways Director	Shera Minor
Airport Director	Jake W. Lorentz
Library Director	James M. Falconer
Cemetery Director	John Fishbein
Electric Works Director	Delores Smith
Water/Wastewater Director	Qiu Jian Jiang
Sanitation Director	Tahrer Khalil

FINANCIAL SECTION

OFFICIAL LETTERHEAD OF THE INDEPENDENT AUDITOR
INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information of the NAME OF GOVERNMENT, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively compromise the NAME OF GOVERNMENT'S basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in note I.A; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position on a modified cash basis of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, of the NAME OF GOVERNMENT, as of June 30, 2023, the respective changes in financial position on a modified cash basis, cash flows on the modified cash basis, where applicable, and the budgetary comparison statements of the General Fund and the Public Safety Fund thereof for the year then ended in conformity with the basis of accounting described in note I.A.

Basis of Accounting

We draw attention to note I.A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the NAME OF GOVERNMENT'S basic financial statements. The accompanying supplementary information including the combining and individual fund financial statements and schedule– modified cash basis, and the other information including the letter of transmittal narrative discussion, and trend information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedule – modified cash basis presented on pages 46-48 of the report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedule – modified cash basis are fairly stated, in all material respects,

in relation to the basic financial statements as a whole on the basis of accounting described in note I.A.

The letter of transmittal narrative discussion presented on pages 4-10 of the report and the trend information presented on pages 50-56 of the report have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on such information.

West, Lee, Roberts, & Company

West, Lee, Roberts, & Company

AUDITOR'S CITY AND STATE

October 21, 2023

Basic Financial Statements

Name of Government
Government-wide Statement of Net Position
June 30, 2023
(Modified Cash Basis)

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 825,494	\$ 986,024	\$ 1,811,518
Investments	10,000	-	10,000
Internal balances	(3,404)	3,404	-
Total assets	<u>832,090</u>	<u>989,428</u>	<u>1,821,518</u>
LIABILITIES			
Due to other governments	948	4,474	5,422
Due to customers for utility deposits	-	52,409	52,409
Due to others	3,351	-	3,351
Total liabilities	<u>4,299</u>	<u>56,883</u>	<u>61,182</u>
NET POSITION			
Restricted for:			
Debt service	-	313,003	313,003
Cemetery care	5,799	-	5,799
Library	10,346	-	10,346
Emergency – 911 services	2,984	-	2,984
Fire services	48,071	-	48,071
Street improvement	26,503	-	26,503
Public safety	548,872	-	548,872
Capital projects	96,602	-	96,602
Airport	193	-	193
Community development	1,918	-	1,918
Smart meter acquisition	-	500,000	500,000
Unrestricted	86,503	119,542	206,045
Total net position	<u>\$ 827,791</u>	<u>\$ 932,545</u>	<u>\$ 1,760,336</u>

The notes to the financial statements are an intergral part of this statement.

Name of Government
Government-wide Statement of Activities
For the Year Ended June 30, 2023
(Modified Cash Basis)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Primary government							
Governmental Activities							
General government	\$ 207,224	\$ 2,436	\$ 392	\$ 3,500	\$ (200,896)	\$ -	\$ (200,896)
Public safety	1,007,087	48,278	22,582	10,000	(926,227)	-	(926,227)
Highways and streets	148,582	-	39,316	-	(109,266)	-	(109,266)
Community development	3,550	-	-	3,550	-	-	-
Culture and recreation	278,159	16,729	5,473	-	(255,957)	-	(255,957)
Airport	63,021	-	-	37,321	(25,700)	-	(25,700)
Total governmental activities	<u>1,707,623</u>	<u>67,443</u>	<u>67,763</u>	<u>54,371</u>	<u>(1,518,046)</u>	<u>-</u>	<u>(1,518,046)</u>
Business-type activities:							
Electric	1,918,775	2,137,647	-	-	-	218,872	218,872
Water	222,936	324,926	-	-	-	101,990	101,990
Sewer	444,893	274,952	-	-	-	(169,941)	(169,941)
Sanitation	308,565	249,294	-	-	-	(59,271)	(59,271)
Total business-type activities	<u>2,895,169</u>	<u>2,986,819</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,650</u>	<u>91,650</u>
Total primary government	<u>4,602,792</u>	<u>3,054,262</u>	<u>67,763</u>	<u>54,371</u>	<u>(1,518,046)</u>	<u>91,650</u>	<u>(1,426,396)</u>
General revenues:							
Taxes:							
Sales and use taxes					\$ 1,075,967	\$ -	\$ 1,075,967
Franchise taxes and public service taxes					37,325	-	37,325
Intergovernmental revenue not restricted to specific programs					23,731	-	23,731
Unrestricted investment earnings					1,701	638	2,339
Miscellaneous					87,357	59,509	146,866
Proceeds from long-term debt					-	500,000	500,000
Transfers					267,991	(267,991)	-
Total general revenues and transfers					<u>1,494,072</u>	<u>292,156</u>	<u>1,786,228</u>
Change in net position					(23,974)	383,806	359,832
Net position - beginning					851,765	548,739	1,400,504
Net position - ending					<u>\$ 827,791</u>	<u>\$ 932,545</u>	<u>\$ 1,760,336</u>

The notes to the financial statements are an integral part of this statement.

Name of Government
Balance Sheet
Governmental Funds
June 30, 2023
(Modified Cash Basis)

	General Fund	Public Safety Fund	General Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 62,122	\$ 554,780	\$ 96,884	\$ 111,708	\$ 825,494
Investments	10,000	-	-	-	10,000
Due from other funds	14	-	-	6,524	6,538
Total assets	<u>72,136</u>	<u>554,780</u>	<u>96,884</u>	<u>118,232</u>	<u>842,032</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other governments	948	-	-	-	948
Due to others	3,351	-	-	-	3,351
Due to other funds	9,942	-	-	-	9,942
Total liabilities	<u>14,241</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,241</u>
FUND BALANCES					
Restricted					
Fire	-	-	-	48,071	48,071
Emergency – 911	-	-	-	2,984	2,984
Library	10,346	-	-	-	10,346
Cemetery	-	-	-	5,798	5,798
Street improvements	-	-	-	26,503	26,503
Airport	-	-	-	193	193
Public safety	-	548,872	-	-	548,872
Capital projects	-	-	96,602	-	96,602
Community development	-	-	-	1,918	1,918
Assigned					
Cemetery	-	-	-	4,494	4,494
Library	44	-	-	-	44
Street improvements	-	-	-	28,240	28,240
Subsequent year's budget appropriation of fund balance	19,000	-	-	-	19,000
Public safety	-	5,908	-	-	5,908
Capital projects	-	-	282	-	282
Fire	-	-	-	31	31
Unassigned	<u>28,505</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,505</u>
Total fund balances	<u>57,895</u>	<u>554,780</u>	<u>96,884</u>	<u>118,232</u>	<u>827,791</u>
Total liabilities and fund balances	<u>\$ 72,136</u>	<u>\$ 554,780</u>	<u>\$ 96,884</u>	<u>\$ 118,232</u>	<u>\$ 842,032</u>

The notes to the financial statements are an intergral part of this statement.

Name of Government
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023
(Modified Cash Basis)

	<u>General Fund</u>	<u>Public Safety Fund</u>	<u>General Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes:					
Sales taxes	\$ 828,778	\$ 61,805	\$ 123,610	\$ 61,805	\$ 1,075,998
Franchise and public service taxes	28,726	2,142	4,284	2,142	37,294
Intergovernmental	65,678	-	-	80,187	145,865
Culture and recreation charges for services	12,372	-	-	4,357	16,729
Fines and forfeitures	48,278	-	-	-	48,278
Licenses and permits	2,436	-	-	-	2,436
Investment earnings	105	1,331	97	168	1,701
Miscellaneous	81,164	-	-	6,193	87,357
Total revenues	<u>1,067,537</u>	<u>65,278</u>	<u>127,991</u>	<u>154,852</u>	<u>1,415,658</u>
EXPENDITURES					
Current:					
General government	202,464	-	-	-	202,464
Public Safety	952,191	-	-	-	952,191
Highway and streets	25,085	-	-	-	25,085
Community development	-	-	-	3,550	3,550
Culture and recreation	262,052	-	-	-	262,052
Cemetery	-	-	-	5,757	5,757
Airport	13,472	-	-	-	13,472
Capital outlay	-	-	70,006	173,046	243,052
Total Expenditures	<u>1,455,264</u>	<u>-</u>	<u>70,006</u>	<u>182,353</u>	<u>1,707,623</u>
Excess (deficiency) of revenues over expenditures	<u>(387,727)</u>	<u>65,278</u>	<u>57,985</u>	<u>(27,501)</u>	<u>(291,965)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	300,000	-	-	31,700	331,700
Transfers out	-	-	(63,709)	-	(63,709)
Total other financing sources and uses	<u>300,000</u>	<u>-</u>	<u>(63,709)</u>	<u>31,700</u>	<u>267,991</u>
Net change in fund balances	(87,727)	65,278	(5,724)	4,199	(23,974)
Fund balances – beginning	<u>145,622</u>	<u>489,502</u>	<u>102,608</u>	<u>114,033</u>	<u>851,765</u>
Fund balances – ending	<u>\$ 57,895</u>	<u>\$ 554,780</u>	<u>\$ 96,884</u>	<u>\$ 118,232</u>	<u>827,791</u>

The notes to the financial statements are an integral part of this statement.

Name of Government
General Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Year Ended June 30, 2023
(Modified Cash Basis)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Sales taxes	\$ 802,195	\$ 802,195	\$ 828,778	\$ 26,583
Franchise and public service taxes	27,805	27,805	28,726	921
Intergovernmental	43,000	43,000	65,678	22,678
Culture and recreation charges for services	35,200	35,200	12,372	(22,828)
Fines and forfeitures	61,000	61,000	48,278	(12,722)
Licenses and permits	4,000	4,000	2,436	(1,564)
Investment earnings	200	200	105	(95)
Miscellaneous	114,200	111,200	81,164	(30,036)
Total revenues	<u>1,087,600</u>	<u>1,084,600</u>	<u>1,067,537</u>	<u>(17,063)</u>
EXPENDITURES				
Current:				
General government	223,277	234,777	202,464	32,313
Police	718,164	715,164	714,143	1,021
Fire	239,388	238,388	238,048	340
Highways and streets	31,832	26,832	25,085	1,747
Culture and recreation	219,379	262,052	262,052	-
Airport	14,300	14,800	13,472	1,328
Total expenditures	<u>1,446,340</u>	<u>1,492,013</u>	<u>1,455,264</u>	<u>36,749</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	340,000	340,000	300,000	(40,000)
Total other financing sources (uses)	<u>340,000</u>	<u>340,000</u>	<u>300,000</u>	<u>(40,000)</u>
Net change in fund balances	(18,740)	(67,413)	(87,727)	(20,314)
Fund balances – beginning	145,622	145,622	145,622	-
Fund balances – ending	<u>\$ 126,882</u>	<u>\$ 78,209</u>	<u>\$ 57,895</u>	<u>\$ (20,314)</u>

The notes to the financial statements are an integral part of this statement.

Name of Government
Public Safety Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Year Ended June 30, 2023
(Modified Cash Basis)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 62,500	\$ 62,500	\$ 63,947	\$ 1,447
Intergovernmental	4,000	4,000	1,331	(2,669)
Total revenues	<u>66,500</u>	<u>66,500</u>	<u>65,278</u>	<u>(1,222)</u>
EXPENDITURES				
Current:				
Police	1,125	1,125	-	1,125
Fire	375	375	-	375
Total expenditures	<u>1,500</u>	<u>1,500</u>	<u>-</u>	<u>1,500</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	500	500	-	(500)
Total other financing sources (uses)	<u>500</u>	<u>500</u>	<u>-</u>	<u>(500)</u>
Net change in fund balances	65,500	65,500	65,278	(222)
Fund balances – beginning	<u>1,918</u>	<u>1,918</u>	<u>1,918</u>	<u>-</u>
Fund balances – ending	<u>\$ 67,418</u>	<u>\$ 67,418</u>	<u>\$ 67,196</u>	<u>\$ (222)</u>

The notes to the financial statements are an integral part of this statement.

Name of Government
Statement of Net Position
Public Works Fund
June 30, 2023
(Modified Cash Basis)

ASSETS

Cash and cash equivalents	\$ 620,612
Restricted cash and cash equivalents	365,412
Due from other funds	3,404
Total assets	<u>989,428</u>

LIABILITIES

Due to other governments	4,474
Due to depositors	52,409
Total current liabilities	<u>56,883</u>

NET POSITION

Restricted for debt service	313,003
Unrestricted	619,542
Total net position	<u>\$ 932,545</u>

The notes to the financial statements are an intergral part of this statement.

Name of Government
Statement of Revenues, Expenses, and Changes in Net Position
Public Works Fund
For the Year Ended June 30, 2023
(Modified Cash Basis)

OPERATING REVENUES

Charges for services:

Electric	\$ 2,137,647
Water	324,926
Sewer	274,952
Sanitation	<u>249,294</u>
Total operating revenues	<u>2,986,819</u>

OPERATING EXPENSES

Electric	1,835,392
Water	157,601
Sewer	379,558
Sanitation	<u>243,230</u>
Total operating expenses	<u>2,615,781</u>
Operating income	<u>371,038</u>

NON-OPERATING REVENUES (EXPENSES)

Investment income	638
Other nonoperating revenue	59,509
Proceeds from long-term debt	500,000
Capital outlay	(18,047)
Debt service:	
Principal retirement	(211,477)
Interest expense and fees	<u>(49,864)</u>
Total non-operating revenue (expenses)	<u>280,759</u>
Income before transfers and other items	651,797
Transfers in	32,009
Transfers out	<u>(300,000)</u>
Change in net position	383,806
Total net position – beginning	<u>548,740</u>
Total net position – ending	<u>\$ 932,545</u>

The notes to the financial statements are an integral part of this statement.

Name of Government
Statement of Cash Flows
Public Works Fund
For the Year Ended June 30, 2023
(Modified Cash Basis)

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	2,986,819
Payments to suppliers	(2,053,503)
Payments to employees	(562,354)
Payment to other fund	(1,301)
Receipt of customer meter deposits	7,569
Other receipts	59,509
Net cash provided by operating activities	436,739

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfers from other funds	32,009
Transfers to other funds	(300,000)
Net cash provided by (used in) noncapital financing activities	(267,991)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchases of capital assets	(18,048)
Proceeds from debt	500,000
Principal paid on debt	(211,477)
Interest and fiscal agent fees paid on debt	(49,864)
Net cash provided by capital and related financing activities	220,611

CASH FLOWS FROM INVESTING ACTIVITIES

Interest and dividends	638
Net cash provided by investing activities	638

Net increase in cash and cash equivalents 389,997

Cash and cash equivalents July 1 596,027

Cash and cash equivalents June 30 \$ 986,024

Continued on following page

Name of Government
Statement of Cash Flows
Public Works Fund
For the Year Ended June 30, 2023
(Modified Cash Basis)
Continued

Reconciliation of operating income to net cash provided by operating activities:

Operating income	\$	371,038
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Miscellaneous revenue		59,509
Change in assets and liabilities:		
Due to other funds		(1,300)
Due to other governments		(77)
Due to depositors		7,569
Net cash provided by operating activities	\$	436,739

The notes to the financial statements are an intergral part of this statement.

Notes to the Basic Financial Statements

NAME OF GOVERNMENT
Notes to the Financial Statements
June 30, 2023

I. Summary of significant accounting policies

A. Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, and other nonexchange transactions are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

The government-wide financial statements are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets, and liabilities resulting from cash transactions, adjusted for modifications that have substantial support in generally accepted accounting principles.

Only cash (and cash equivalents) and items that involve the receipt or disbursement of cash (or cash equivalents) during the period are recognized, except for the following modifications:

- (1) *Interfund receivables and payables* that arise from transactions and events involving cash or cash equivalents are recognized;
- (2) *Assets that normally convert to cash or cash equivalents* (e.g., certificates of deposit, marketable investments, and receivables resulting from loans) that arise from transactions and events involving cash or cash equivalents are recognized; and
- (3) *Liabilities for cash (or cash equivalents) held on behalf of others, held in escrow, or received in advance of being earned or meeting eligibility requirements* are recognized.

As a result of the use of this modified cash basis of accounting, certain transactions are not recorded in the financial statements. For example, accounts receivable and revenue for billed or provided services that have not been collected in cash are not accrued as revenue or receivables. Additionally, capital assets such as property, equipment, and infrastructure are not reported and long-term liabilities such as debt and compensated absences are also not reported.

B. Reporting entity

The NAME OF GOVERNMENT (government) is a municipal corporation governed by an elected mayor and five-member governing council (council) responsible for the operation of public safety, streets and public works, health and welfare, culture and recreation, and administrative services of the government. The accompanying financial statements present both the government itself, as legally defined, and a component unit, which is a legally separate entity for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government.

Blended component unit. The Public Works Authority (Authority) serves all of the citizens of the government and is governed by a board comprised of the government's elected council. Additionally, as required by state law, all debt obligations incurred by the Authority must be approved by two-thirds vote of the government's governing body and the government is legally obligated to provide resources in the case that there are any deficiencies in debt service payments and resources are not otherwise available from other possible solutions. The Authority does not issue separate annual financial statements and is reported as an enterprise fund within this annual report.

C. Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise fund. Separate financial statements are provided for governmental funds and proprietary funds.

The government-wide financial statements are presented on the modified cash basis of accounting. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are any payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's public works function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of presentation – fund financial statements

The fund financial statements provide information about the government's funds and blended component unit. Separate statements for each fund category, governmental and proprietary, are presented. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining funds are aggregated and reported as nonmajor funds. The fund financial statements are presented on the modified cash basis of accounting.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government that are not accounted for in another fund.

The *public safety fund* is a special revenue fund that accounts for sales taxes whose use is limited by the voters for public safety expenditures.

The *general capital projects fund* accounts for the acquisition and construction of the government's major capital facilities, other than those financed by a proprietary fund.

Additionally, the government reports the following fund types (as nonmajor funds):

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The government reports the following as a major enterprise fund:

The *public works fund* accounts for the activities of the Authority, a blended component unit of the government. The Authority operates the government's electric, water, wastewater, and sanitation services.

During the course of operations the government has activity between funds for various purposes involving cash or cash equivalents. Any residual balances outstanding at year end are reported as due from/to other funds and advances

to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds involving cash or cash equivalents. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

E. Budgetary information

1. Budgetary basis of accounting

Annual budgets are adopted on the modified cash basis for the general fund, public safety fund, and street improvement sales tax fund. The appropriated budget is prepared by fund, function, and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

2. Excess of expenditures over appropriations

For the year ended June 30, 2023, expenditures exceeded appropriations in the highways and streets department (the legal level of budgetary control) of the street improvement sales tax fund by \$4,547. While overspending of this appropriation is authorized by law up to \$50,000 for safety-related street improvements (e.g., sinkholes), which was the case this year, it is nevertheless considered a budgetary violation. Further, the overspending comes with a consequence for the subsequent year's budget. In accordance with the requirements of the law, there was a decrease of \$4,547 in the highways and streets appropriation for routinely scheduled or nonessential roadwork in the street improvement sales tax fund.

F. Assets, liabilities, and net position/fund balance

1. Cash and cash equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and savings accounts, and short-term investments with original maturities of three months or less from the date of acquisition. The government also has long-term certificates of deposit, reported at cost.

2. Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

3. Fund balance flow assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

4. Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of

decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing council (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, the constraints upon resources resulting from assignments are more easily removed or modified.

G. Revenues and expenditures/expenses

1. Program revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment (e.g., licenses and permits), 2) fines and forfeitures, and 3) grants and contributions (including gas excise and commercial vehicle taxes) that are restricted to meeting the operational or capital requirements of a particular function or segment. All other taxes and fees, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Proprietary funds operating and nonoperating revenues and expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the public works fund are electric, water, sewer, and sanitation charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. Detailed notes on all activities and funds

A. Violations of legal or contractual provisions

Note I.E.2, on the *excess of expenditures over appropriations*, describes a budgetary violation that occurred for the year ended June 30, 2023. It also explains the provision provided by law that was used to remedy the violation.

B. Cash deposits with financial institutions and investments

Type	Maturities	Carrying Value
Deposits:		
Demand deposits		\$ 1,809,924
Petty cash		1,594
Time deposit	10/18/2023	10,000
Total deposits and investments		<u><u>\$ 1,821,518</u></u>
Reconciliation to Statement of Net Position:		
Cash and cash equivalents		\$ 1,811,518
Investments		10,000
		<u><u>\$ 1,821,518</u></u>

Custodial credit risk—deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government's policy as it relates to custodial credit risk is to comply with state law and secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100 percent of the uninsured deposits and accrued interest thereon. Acceptable collateral is defined in state statutes and includes U.S. Treasury securities and direct debt obligations of municipalities, counties, and school districts in the state, surety bonds, and letters of credit. As required by federal law, all financial institutions pledging collateral to the government must have a written collateral agreement approved by the board of directors or loan committee. At June 30, 2023, the government was exposed to custodial credit risk at a financial institution in the amount of \$63,822 because this amount of deposits was uninsured and collateralized with securities held by the pledging or financial institution's trust department or agent, but not in the government's name.

C. Pension obligations

Statewide Firefighters' Pension and Retirement System (SFPRS)

Plan Description. The government participates in the SFPRS, a cost-sharing multiple-employer defined benefit pension plan administered by the State Pension Board.

SFPRS provides retirement, disability, and death benefits to plan members and their beneficiaries. State statutes authorize the state to establish and amend all plan provisions. The state issues a publicly available financial report that includes the applicable financial statements and required supplementary information for SFPRS. That report may be obtained by writing to SFPRS, 5822 Lincoln Avenue, State Capital City. The report can also be found at the following web address. www.statewidefirefighterspensionandretirementsystem.com/finance/CAFR.html

Funding policy. Contribution requirements of employers and employees and the amendment of those requirements are governed by state statutes. The government is required by state law to contribute \$60 per year for each volunteer firefighter. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

Cash contributions. The government's contributions to SFPRS for the years ended June 30, 2023, 2022, and 2021 were \$1,200, \$1,320, and \$1,380, respectively, and were equal to 100 percent of the required contributions for each year.

Statewide Police Pension and Retirement System (SPPRS)

Plan Description. The government participates in the SPPRS, a cost-sharing multiple-employer defined benefit pension plan administered by the State Pension Board. SPPRS provides retirement, disability, and death benefits to plan members and their beneficiaries. State statutes authorize the state to establish and amend all plan provisions. The state issues a publicly available financial report that includes the applicable financial statements and required supplementary information for SPPRS. That report may be obtained by writing to SPPRS, 5842 Lincoln Avenue, State Capital City. The report can also be found at the following web address. www.statewidepolicepensionandretirementsystem.com/finance/CAFR.html

Funding policy. The government is required by state law to contribute 13 percent of covered payroll per year for each police officer. Employees contribute 8 percent of covered payroll. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

Cash contributions. The government's contributions to SFPRS for the years ended June 30, 2023, 2022, and 2021 were \$24,716, \$24,706, and \$30,709, respectively, and were equal to 100 percent of the required contributions for each year.

State Municipal Retirement Fund (SMRF)

Plan description. The government provides a pension benefit for all of its full-time employees, with the exception of the fire and police departments, through a defined contribution plan with the State Municipal Retirement Fund. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Council has the authority to establish and amend the plan's provisions and contribution requirements. Employees are eligible to participate from the date of employment. SMRF issues separate plan financial statements which may be obtained by writing to SMRF, 6114 Lincoln Avenue, State Capital City. The report can also be found at the following web address. www.SMRF.com/finance/CAFR.html

Funding policy. Employee contributions were equal to 2.5 percent of total earnings with employer contributions equal to 4 percent of the employee's total salary each month. The government's contributions for each employee (and interest allocated to the employee's account) are fully vested after ten years continuous service. Employee contributions for the years ended June 30, 2023, 2022, and 2021 were \$18,806, \$17,471, and \$17,427 respectively. Employer contributions for the years ended June 30, 2023, 2022, and 2021 were \$30,120, \$27,961, and \$27,883 respectively.

D. Construction and other significant commitments

Construction commitments. The government has active construction projects as of June 30, 2023. The projects include road resurfacing in several areas. At year end the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent to date</u>	<u>Remaining commitment</u>
Road resurfacing	\$ 202,358	\$ 94,252

E. Risk management

The government is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The government manages these risks by securing commercial insurance. Management believes that such insurance coverage is sufficient to preclude any significant uninsured losses. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

F. Long-Term Obligations

As a result of the use of the modified cash basis of accounting in this report, obligations related to long-term debt and other obligations are not reported as liabilities in the financial statements. However, these long-term debt obligations are disclosed below by type.

1. Capital lease

In 2020, the government entered into a lease agreement as a lessee for financing the acquisition of a bucket truck valued at \$115,500. The lease agreement was for annual payments of \$32,009 at an interest rate of 4.25 percent with the final payment due on September 23, 2024. The balance outstanding is \$29,798.

Year ended June 30	Business-type activities	
	Principal	Interest
2024	\$ 29,798	\$ 2,211
	<u>\$ 29,798</u>	<u>\$ 2,211</u>

2. Notes payable

	Balance as of June 30, 2023
<u>Public Works Authority notes payable:</u>	
\$285,000 – 2009 original issue note payable for the purchase of the Administrative Building, payable in monthly installments, with a variable interest rate of prime, final payment due November 2033.	\$ 178,570
\$300,000 – 2010 original issue note payable for the purchase of the Administrative Building, payable in monthly installments of \$1,250, with a 0 percent interest rate, final payment due November 2034.	\$ 183,750
\$1,650,000 – 2011 original issue note payable for the financing of water and sewer utility capital assets, payable in semi-annual principal installments each March 15 and September 15, final installment due March 2033, with an annual interest rate of 2.516 percent plus a 0.5 percent administrative fee, note is secured by a pledge of net utility revenues and mortgage on the facilities.	\$ 961,069

\$125,000 – 2012 original issue note payable for a waterline relocation, payable in 240 monthly installments of \$521 with an annual interest rate of 0 percent, final payment due January 2030	\$ 45,834
\$260,000 – 2017 original issue note payable for the purchase of city hall building, payable in 119 monthly payments of \$2,774 with annual interest rate of 5.0 percent, final payment due October 2027	\$ 127,307
\$500,000 – 2023 original issue note payable for the purchase of smart meters, payable in 119 monthly payments of \$5,171 with an annual interest rate of 4.35 percent, final payment due July 2033.	<u>\$ 500,000</u>
Balance outstanding at June 30, 2023	<u>\$ 1,996,530</u>

Debt service to maturity:

Year ended June 30	Business-type Activities	
	Principal	Interest
2024	\$ 182,428	\$ 58,152
2025	193,190	53,188
2026	199,910	46,808
2027	206,791	40,350
2028	188,988	33,865
2029-2033	978,635	84,017
2034-2038	46,588	132
	<u>\$ 1,996,530</u>	<u>\$ 316,512</u>

Pledge of future revenues. The government has pledged future net water and sewer revenues to repay \$1,650,000 of the 2012 Series promissory note that was issued to finance various capital assets of the water and sewer utilities. The note is payable through 2033. The total principal and interest payable for the remainder of the life of this note is \$1,096,243. The debt service payments on the note this year were \$112,051, which was 55 percent of pledged net utility revenues of \$203,266.

3. *Compensated absences*

As a result of the use of the modified cash basis of accounting in this report, obligations related to accrued compensated absences are not reported as liabilities in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid. The amount of the government's obligation related to accrued compensated absences for accumulated, unpaid compensatory time that would be due employees upon termination, as of June 30, 2023, is \$138,815.

Changes in long-term obligations

Changes in the government's long-term obligations for the year ended June 30, 2023 are as follows:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year
Governmental Activities					
Compensated absences	\$ 132,847	\$ 10,457	\$ (4,489)	\$ 138,815	\$ 4,859
Business-type Activities:					
Notes payable	1,637,873	500,000	(141,343)	1,996,530	182,428
Capital leases	59,596	-	(29,798)	29,798	29,798
Total long-term liabilities	<u>\$ 1,830,316</u>	<u>\$ 510,457</u>	<u>\$ (175,630)</u>	<u>\$ 2,165,143</u>	<u>\$ 217,085</u>

G. Interfund receivables and payables

The composition of interfund balances as of June 30, 2023, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Public works fund	General fund	\$ 3,404
Street improvement sales tax fund	General fund	6,524
Library fund	General fund	14
		<u>\$ 9,942</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) reimbursable expenditures are paid, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

H. Interfund transfers

The composition of interfund transfers for the year ended June 30, 2023, is as follows:

	Transfer in:				Total
	General fund	Capital projects fund	Nonmajor governmental funds	Enterprise fund Public works fund	
Transfer out:					
Capital projects fund			\$ 31,700	\$ 32,009	\$ 63,709
Enterprise fund					
Public works fund	\$ 300,000				\$ 300,000
	<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ 31,700</u>	<u>\$ 32,009</u>	<u>\$ 363,709</u>

During the year, transfers were used to deliver operating subsidies between funds.

I. Contingencies

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

J. Subsequent events

On September 17, 2023, the government issued \$3,250,000 bond anticipation notes to fund various capital projects. The interest rate on the notes is 1.5 percent and the maturity date is September 17, 2024.

Supplementary and Other
Information Accompanying the
Basic Financial Statements

Combining and Individual Fund Financial Statements and Schedule

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenue sources that are restricted, committed, or assigned to expenditures for particular purposes.

Cemetery Care Fund – to account for 25 percent of cemetery revenue restricted by state law for cemetery care.

Emergency 911 Fund – to account for revenues from emergency services.

Community Development Block Grant Fund – to account for grant revenues restricted for community development purposes.

Capital Projects Fund

Capital projects funds are used to account for resources that are restricted, committed, or assigned to expenditure for capital improvements.

Street Improvement Sales Tax Fund – to account for voter restricted sales tax revenue, contributions and specific revenues, and transfers from other government funds for various street capital projects as the governing body may designate.

Airport Grant Fund – to account for airport grant revenues restricted for capital improvements of the airport.

Fire Capital Fund – to account for voter restricted sales tax revenue from previous years that is to be used by or for the government's fire department.

Name of Government
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2023
(Modified Cash Basis)

	Special Revenue Funds			Capital Projects Funds			Total Other Governmental Funds
	Cemetery Care Fund	E911 Fund	CDBG Grant Fund	Street Improvement Sales Tax Fund	Airport Grant Fund	Fire Capital Fund	
ASSETS							
Cash and cash equivalents	\$ 10,292	\$ 2,984	\$ 1,918	\$ 48,219	\$ 193	\$ 48,102	\$ 111,708
Due from other funds	-	-	-	6,524	-	-	6,524
Total assets	<u>10,292</u>	<u>2,984</u>	<u>1,918</u>	<u>54,743</u>	<u>193</u>	<u>48,102</u>	<u>118,232</u>
FUND BALANCES							
Restricted for:							
Fire	-	-	-	-	-	48,071	48,071
E911	-	2,984	-	-	-	-	2,984
Cemetery care	5,798	-	-	-	-	-	5,798
Street improvements	-	-	-	26,503	-	-	26,503
Airport	-	-	-	-	193	-	193
Community development	-	-	1,918	-	-	-	1,918
Assigned to:							
Cemetery care	4,494	-	-	-	-	-	4,494
Street improvements	-	-	-	28,240	-	-	28,240
Fire	-	-	-	-	-	31	31
Total fund balances	<u>10,292</u>	<u>2,984</u>	<u>1,918</u>	<u>54,743</u>	<u>193</u>	<u>48,102</u>	<u>118,232</u>
Total liabilities and fund balances	<u>\$ 10,292</u>	<u>\$ 2,984</u>	<u>\$ 1,918</u>	<u>\$ 54,743</u>	<u>\$ 193</u>	<u>\$ 48,102</u>	<u>\$ 118,232</u>

Name of Government
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2023
(Modified Cash Basis)

	Special Revenue Funds			Capital Projects Funds			
	Cemetery Care Fund	E911 Fund	CDBG Grant Fund	Street Improvement Sales Tax Fund	Airport Grant Fund	Fire Capital Fund	Total Other Governmental Funds
REVENUES							
Sales taxes	\$ -	\$ -	\$ -	\$ 61,805	\$ -	\$ -	\$ 61,805
Franchise and public service taxes				2,142			2,142
Intergovernmental	-	-	3,550	39,316	37,321	-	80,187
Charges for services	4,357	-	-	-	-	-	4,357
Investment income	14	-	-	123	-	31	168
Miscellaneous	-	-	-	6,193	-	-	6,193
Total revenues	4,371	-	3,550	109,579	37,321	31	154,852
EXPENDITURES							
Current:							
Highways and streets	-	-	-	-	-	-	-
Community development	-	-	3,550	-	-	-	3,550
Cemetery	5,757	-	-	-	-	-	5,757
Culture and recreation	-	-	-	-	-	-	-
Capital Outlay	-	-	-	123,497	49,549	-	173,046
Total Expenditures	5,757	-	3,550	123,497	49,549	-	182,353
Excess (deficiency) of revenues over expenditures	(1,386)	-	-	(13,918)	(12,228)	31	(27,501)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	20,000	11,700	-	31,700
Total other financing sources and uses	-	-	-	20,000	11,700	-	31,700
Net change in fund balances	(1,386)	-	-	6,082	(528)	31	4,199
Fund balances - beginning	11,678	2,984	1,918	48,661	721	48,071	114,033
Fund balances - ending	\$ 10,292	\$ 2,984	\$ 1,918	\$ 54,743	\$ 193	\$ 48,102	\$ 118,232

Name of Government
Street Improvement Sales Tax Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual
For the Year Ended June 30, 2023
(Modified Cash Basis)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 60,150	\$ 60,150	\$ 63,947	\$ 3,797
Intergovernmental	47,000	40,000	39,316	(684)
Investment income	100	100	123	23
Miscellaneous	5,250	5,250	6,193	943
Total revenues	<u>112,500</u>	<u>105,500</u>	<u>109,579</u>	<u>4,079</u>
EXPENDITURES				
Capital outlay				
Highways and streets	<u>118,950</u>	<u>118,950</u>	<u>123,497</u>	<u>(4,547)</u>
Total expenditures	<u>118,950</u>	<u>118,950</u>	<u>123,497</u>	<u>(4,547)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Total other financing sources (uses)	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Net change in fund balances	13,550	6,550	6,082	(468)
Fund balances – beginning	<u>48,661</u>	<u>48,661</u>	<u>48,661</u>	<u>-</u>
Fund balances – ending	<u>\$ 62,211</u>	<u>\$ 55,211</u>	<u>\$ 54,743</u>	<u>\$ (468)</u>

Five – Year Trend Information

Name of Government
Net Position by Component
Last Five Fiscal Years
(Modified Cash Basis)

	Fiscal Year				
	2023	2022	2021	2020	2019
Governmental activities					
Restricted	\$ 741,288	684,257	519,728	459,356	731,524
Unrestricted	86,503	167,508	122,588	166,014	187,431
Total governmental activities net position	<u>\$ 827,791</u>	<u>\$ 851,765</u>	<u>\$ 642,316</u>	<u>\$ 625,370</u>	<u>\$ 918,953</u>
Business-type activities					
Restricted	\$ 313,003	380,022	275,481	235,209	311,454
Unrestricted	619,542	168,717	568,472	458,293	332,488
Total business-type activities net position	<u>\$ 932,545</u>	<u>\$ 548,739</u>	<u>\$ 843,953</u>	<u>\$ 693,502</u>	<u>\$ 643,942</u>
Primary government					
Restricted	\$ 1,054,291	1,064,279	795,209	694,565	1,042,976
Unrestricted	706,045	336,225	691,060	624,307	519,919
Total primary government net position	<u>\$ 1,760,336</u>	<u>\$ 1,400,504</u>	<u>\$ 1,486,269</u>	<u>\$ 1,318,872</u>	<u>\$ 1,562,895</u>

Name of Government
Changes in Net Position
Last Five Fiscal Years
(Modified Cash Basis)

	Fiscal Year				
	2023	2022	2021	2020	2019
Expenses					
Governmental activities:					
General government	\$ 207,224	\$ 657,014	\$ 222,114	\$ 217,477	\$ 215,472
Public safety	1,007,087	945,841	943,619	1,027,676	1,227,859
Highways and streets	148,582	334,876	337,096	512,722	157,421
Culture and recreation	281,709	257,479	282,275	283,142	401,220
Airport	63,021	65,748	247,145	329,163	198,542
Interest	-	2,022	3,214	4,598	6,897
Total governmental activities	<u>1,707,623</u>	<u>2,262,980</u>	<u>2,035,463</u>	<u>2,374,778</u>	<u>2,207,411</u>
Business-type activities					
Electric	1,918,775	1,922,654	1,674,892	1,813,749	1,748,924
Water	222,936	195,014	190,412	186,862	188,452
Sewer	444,893	272,145	367,412	330,103	350,458
Sanitation	308,565	208,524	289,478	320,531	266,785
Total business-type activities	<u>2,895,169</u>	<u>2,598,337</u>	<u>2,522,194</u>	<u>2,651,245</u>	<u>2,554,619</u>
Total expenses	<u>\$ 4,602,792</u>	<u>\$ 4,861,317</u>	<u>\$ 4,557,657</u>	<u>\$ 5,026,023</u>	<u>\$ 4,762,030</u>

Continued on following page

Name of Government
Changes in Net Position
Last Five Fiscal Years
(Modified Cash Basis)

Continued

	Fiscal Year				
	2023	2022	2021	2020	2019
Charges for services					
General government	\$ 2,436	\$ 2,221	\$ 1,984	\$ 1,766	\$ 2,345
Public safety	48,278	49,041	177,584	174,227	172,478
Culture and recreation	16,729	18,285	18,457	18,745	15,489
Operating grants and contributions	67,763	312,784	350,968	433,532	369,784
Capital grants and contributions	54,371	532,024	247,962	246,405	98,471
Total governmental activities	<u>189,577</u>	<u>914,355</u>	<u>796,955</u>	<u>874,675</u>	<u>658,567</u>
Business-type activities:					
Charges for services					
Electric	2,137,647	1,828,336	1,798,576	1,691,642	1,895,475
Water	324,926	322,417	362,475	317,695	351,425
Sewer	274,952	270,112	268,987	266,260	245,968
Sanitation	249,294	228,114	218,941	215,751	210,784
Operating grants and contributions	-	-	-	35,000	-
Capital grants and contributions	-	-	-	113,774	125,748
Total business-type activities	<u>2,986,819</u>	<u>2,648,979</u>	<u>2,648,979</u>	<u>2,640,122</u>	<u>2,829,400</u>
Total program revenues	<u>\$ 3,176,396</u>	<u>\$ 3,563,334</u>	<u>\$ 3,445,934</u>	<u>\$ 3,514,797</u>	<u>\$ 3,487,967</u>
Net (expense)/revenue					
Governmental activities	\$ (1,518,046)	\$ (1,348,625)	\$ (1,238,508)	\$ (1,500,103)	\$ (1,548,844)
Business-type activities	91,650	50,642	126,785	(11,123)	274,781
Total net expense	<u>\$ (1,426,396)</u>	<u>\$ (1,297,983)</u>	<u>\$ (1,111,723)</u>	<u>\$ (1,511,226)</u>	<u>\$ (1,274,063)</u>

Name of Government
Changes in Net Position
Last Five Fiscal Years
(Modified Cash Basis)
Continued

	Fiscal Year				
	2023	2022	2021	2020	2019
General revenues					
Governmental activities:					
Sales and use taxes	\$ 1,075,967	\$ 1,011,104	\$ 1,024,785	\$ 1,047,132	\$ 1,142,595
Franchise taxes and public service taxes	37,325	39,111	25,478	26,651	35,748
Intergovernmental-unrestricted	23,731	35,147	40,145	38,048	35,978
Unrestricted investment earnings	1,701	5,978	3,214	5,693	4,125
Miscellaneous	87,357	79,034	90,478	88,996	75,985
Transfers in/out	267,991	260,278	-	-	74,785
Total general revenues, transfers, and special item	<u>1,494,072</u>	<u>1,430,652</u>	<u>1,184,100</u>	<u>1,206,520</u>	<u>1,369,216</u>
Business-type activities					
Unrestricted investment earnings	638	1,845	847	1,174	894
Miscellaneous	59,509	60,489	45,789	59,509	62,415
Proceeds from long-term debt	500,000	-	-	-	-
Transfers in/out	(267,991)	(260,278)	-	-	(74,785)
Total business-type activities	<u>292,156</u>	<u>(197,944)</u>	<u>46,636</u>	<u>60,683</u>	<u>(11,476)</u>
Total primary government	<u>\$ 1,786,228</u>	<u>\$ 1,232,708</u>	<u>\$ 1,230,736</u>	<u>\$ 1,267,203</u>	<u>\$ 1,357,740</u>
Change in net position					
Governmental activities	\$ (23,974)	\$ 82,027	\$ (54,408)	\$ (293,583)	\$ (179,628)
Business-type activities	383,806	(147,302)	173,421	49,560	263,305
Total change in net position	<u>\$ 359,832</u>	<u>\$ (65,275)</u>	<u>\$ 119,013</u>	<u>\$ (244,023)</u>	<u>\$ 83,677</u>

Name of Government
Fund Balances of Governmental Funds
Last Five Fiscal Years
(Modified Cash Basis)

	Fiscal Year				
	2023	2022	2021	2020	2019
General Fund					
Restricted	\$ 10,346	\$ 8,475	\$ 6,227	\$ 7,248	\$ 5,104
Assigned	19,044	15,947	14,728	12,478	13,547
Unassigned	28,505	121,200	222,315	123,329	284,299
Total general fund	<u>\$ 57,895</u>	<u>\$ 145,622</u>	<u>\$ 243,270</u>	<u>\$ 143,055</u>	<u>\$ 302,950</u>
All other governmental funds					
Restricted	\$ 730,941	\$ 647,487	\$ 574,129	\$ 387,421	\$ 412,598
Assigned	38,955	58,656	131,579	94,894	203,405
Total all other governmental funds	<u>\$ 769,896</u>	<u>\$ 706,143</u>	<u>\$ 705,708</u>	<u>\$ 482,315</u>	<u>\$ 616,003</u>

Name of Government
Changes in Fund Balances of Governmental Funds
Last Five Fiscal Years
(Modified Cash Basis)

	Fiscal Year				
	2023	2022	2021	2020	2019
REVENUES					
Taxes:					
Sales taxes	\$ 1,075,998	\$ 1,063,653	\$ 1,051,308	\$ 1,048,305	\$ 1,035,960
Franchise and public service taxes	37,294	24,949	32,478	25,478	35,412
Intergovernmental	145,865	133,520	457,952	717,985	705,640
Charges for services	16,729	15,423	22,947	27,898	15,553
Fines and forfeitures	48,278	35,933	23,588	40,224	27,879
Licenses and permits	2,436	2,253	947	1,616	1,541
Investment earnings	1,701	1,647	3,254	5,693	2,224
Miscellaneous	87,357	75,012	62,667	88,996	76,651
Total revenues	<u>1,415,658</u>	<u>1,352,390</u>	<u>1,655,141</u>	<u>1,956,195</u>	<u>1,900,860</u>
EXPENDITURES					
Current:					
General government	202,464	201,230	199,996	210,562	209,328
Public safety	952,191	950,957	949,723	787,112	785,878
Highways and streets	25,085	23,851	22,617	70,476	69,242
Community development	3,550	4,785	2,986	5,674	1,235
Culture and recreation	262,052	260,818	259,584	241,984	240,750
Cemetery	5,757	4,523	3,289	3,777	2,543
Airport	13,472	12,238	11,004	14,958	13,724
Capital outlay	243,052	241,818	240,584	1,005,599	1,004,365
Debt service					
Principal	-	-	36,946	35,712	34,478
Interest	-	-	4,598	4,598	3,364
Total expenditures	<u>1,707,623</u>	<u>1,700,220</u>	<u>1,731,327</u>	<u>2,380,452</u>	<u>2,364,907</u>
Excess (deficiency) of revenues over expenditures	(291,965)	(347,830)	(76,186)	(424,257)	(464,047)
OTHER FINANCING SOURCES (USES)					
Transfers in	331,700	247,814	145,698	287,200	234,561
Transfers out	(63,709)	(75,256)	(478,320)	(162,200)	(222,114)
Total other financing sources (uses)	<u>267,991</u>	<u>172,558</u>	<u>(332,622)</u>	<u>125,000</u>	<u>12,447</u>
Net change in fund balances	<u>\$ (23,974)</u>	<u>\$ (175,272)</u>	<u>\$ (408,808)</u>	<u>\$ (299,257)</u>	<u>\$ (451,600)</u>

Name of Government
Outstanding Long-term Debt Obligations by Type
Last Five Fiscal Years

Fiscal Year	Governmental Activities		Business-type Activities	
	Capital Leases		Notes Payable	Capital Leases
2023	\$ -		\$ 1,996,530	\$ 29,798
2022	-		1,637,873	59,596
2021	34,564		1,500,721	74,239
2020	74,874		1,911,468	113,774
2019	115,184		2,043,015	-

GOVERNMENT FINANCE OFFICERS ASSOCIATION (GFOA)

**CERTIFICATE OF CONFORMANCE PROGRAM
FOR SMALL GOVERNMENT ANNUAL FINANCIAL REPORTS**

Statement of Principles

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

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

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

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

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

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

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

- (3) *Liabilities for cash (or cash equivalents) held on behalf of others, held in escrow, or received in advance of being earned or meeting eligibility requirements* must be recognized;²
- (c) Note disclosures similar to those required by GAAP must be made if they are relevant to any of the items listed in (b); and
- (d) Other note disclosures related to matters not presented on the face of the financial statements should be provided, as considered necessary.

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

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

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

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

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

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

PREPARER CHECKLIST – GENERAL PURPOSE GOVERNMENTS

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

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

An asterisk (*) indicates that a negative response for that item, of itself, would likely disqualify a report from being awarded the Certificate of Conformance. Negative responses for other items or combinations of items may also disqualify a report from receiving the award.

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

The SGAFR will be graded for each of the following categories, as applicable:

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

Abbreviations Used in this Checklist

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

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

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

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

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

1. COVER, TABLE OF CONTENTS, AND FORMATTING

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

Yes No N/A

- | | | | | | |
|-------|-------|-------|--|------|--|
| _____ | _____ | _____ | | 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? [Certificate of Conformance Program requirement] |
| _____ | _____ | _____ | | 1.8 | Does each page have a page number? [Certificate of Conformance Program requirement] |
| _____ | _____ | _____ | | 1.9 | Are text and numbers throughout the report easily readable? [Certificate of Conformance Program requirement] |
| _____ | _____ | _____ | | 1.10 | Has the government refrained from reporting cents? [Certificate of Conformance Program requirement] |
| _____ | _____ | _____ | | 1.11 | If numbers are rounded to the nearest thousand, is this fact clearly indicated? [Certificate of Conformance Program requirement] |

2. INTRODUCTORY SECTION

GENERAL CONSIDERATIONS

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

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

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

LETTER OF TRANSMITTAL

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

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

Yes No N/A

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

Explanation: The condensed data should include:

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

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

_____	_____	_____	2.4g	Does it provide an overall analysis of the government’s financial position and results of operations from the perspective of a modified cash basis? [GAAFR 569]
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Explanation: Analysis, properly speaking, should focus on the reasons for changes rather than just their size.

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

_____	_____	_____	2.4g1	Does it alert readers to the limitations inherent in using a modified cash basis? [Certificate of Conformance Program requirement]
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³ Authoritative guidance on required supplementary information (RSI) applies only to financial statements prepared in conformity with GAAP. Consequently, financial reports prepared using a modified cash basis financial reporting framework do *not* include management’s discussion and analysis (MD&A) as RSI. To avoid the potential loss of valuable information, the SGAFR Program requires that certain information normally presented as MD&A be incorporated into the letter of transmittal in a SGAFR. It is in that context that references to the GAAFR’s discussion of MD&A are relevant to a SGAFR. Alternatively, a government could provide a separate MD&A as “other information accompanying the basic financial statements” rather than as RSI.

Yes No N/A

2.4g2

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

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

2.4g3

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

2.4h

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

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

2.4h1

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

2.4i

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

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

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

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

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

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

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

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

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

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

If the government received the Certificate of Conformance or some other award, the government may mention such awards in the letter of transmittal. [GAAFR 594]

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

3. FINANCIAL SECTION – REPORT OF THE INDEPENDENT AUDITOR

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

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

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

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

Yes No N/A

- _____ 3.5 *For reports issued on financial statements for periods ending on or after 12/15/2012, does the explanation of management’s responsibility within the independent auditor’s report make reference to management’s responsibility for determining that the modified cash basis framework applied is acceptable in the circumstances? [AU-C Section 800, par .18a]*
- _____ 3.6 *For reports issued on financial statements for periods ending on or after 12/15/2012, does the independent auditor’s report include an emphasis-of-matter paragraph following the auditor’s opinion paragraph that (a) indicates that the financial statements are prepared in accordance with the modified cash basis of accounting, (b) refers to the note to the financial statements that describes the modified cash basis of accounting applied, and (c) states that the modified cash basis of accounting is a basis of accounting other than GAAP? [AU-C Section 800, par .19]*
- _____ 3.7* Did the independent auditor express an unqualified opinion on the fair presentation of the basic financial statements in conformity with a modified cash basis financial reporting framework? [Certificate of Conformance Program requirement]

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

- _____ 3.8 Does the independent auditor indicate, at a minimum, that combining and individual fund financial statements and schedules are fairly presented “in relation to” the basic financial statements? [Certificate of Conformance Program requirement]
- _____ 3.9 Did the independent auditor sign and date the report? [Certificate of Conformance Program requirement]

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

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

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

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

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

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

Yes No N/A

_____	_____	_____	4.1a*	Government-wide statement of net position – modified cash basis? [GASB-S34: 12]
_____	_____	_____	4.1b*	Government-wide statement of activities – modified cash basis? [GASB-S34: 12]
_____	_____	_____	4.1c*	Balance sheet – governmental funds – modified cash basis? [GASB-S34: 78]
_____	_____	_____	4.1d*	Statement of revenues, expenditures, and changes in fund balances – governmental funds – modified cash basis? [GASB-S34: 78]
_____	_____	_____	4.1e*	Statement of revenues, expenditures and changes in fund balances – budget and actual – general fund and major special revenue funds (budgetary basis)? [GASB-S34: note 53, Certificate of Conformance Program requirement]
_____	_____	_____	4.1f*	Statement of fund net position – proprietary funds – modified cash basis? [GASB-S34: 91]
_____	_____	_____	4.1g*	Statement of revenues, expenses, and changes in fund net position – proprietary funds – modified cash basis? [GASB-S34: 91]
_____	_____	_____	4.1h*	Statement of cash flows – proprietary funds – modified cash basis? [GASB-S34: 91]
_____	_____	_____	4.1i*	Statement of fiduciary net position– modified cash basis? [GASB-S34: 106]
_____	_____	_____	4.1j*	Statement of changes in fiduciary net position– modified cash basis? [GASB-S34: 106]
_____	_____	_____	4.2	Are all of the basic financial statements referred to by their appropriate titles, including an indication that they are prepared on a modified cash basis (with the possible exception of the budgetary comparison statement)? [Certificate of Conformance Program requirement]
<p>Explanation: the budgetary comparison statement is always presented on the budgetary basis, which may differ from the modified cash basis.</p>				
_____	_____	_____	4.3	Are all of the basic financial statements grouped together at the front of the financial section of the report? [Certificate of Conformance Program requirement]
_____	_____	_____	4.4	Do all of the basic financial statements include a reference to the notes? [NCGAI-6, paragraph 8]
_____	_____	_____	4.5	If the government has multiple <i>major</i> discretely presented component units, do the basic financial statements present separate information on each as either: 1) separate columns in the government-wide financial statements, 2) combining statements included as part of the basic financial statements, or 3) condensed financial statements included within the notes to the financial statements? [GASB-S14: 50-1; GASB-S34: 126; GAAFR 299-300]

Explanation: the determination that a component unit is *major* should be based on the nature and significance of its relationship to the primary government. This determination generally would be based on any of the following factors: (a) the services provided by the component unit to the citizenry are such that separate reporting as a major component unit is considered to be essential to financial statement users; (b) there are significant transactions with the primary government; or (c) there is a significant financial benefit or burden relationship with the primary government. [GASB-S14:51; GASB-S61:7a]

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

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

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

5. FINANCIAL SECTION – GOVERNMENT-WIDE FINANCIAL STATEMENTS

GENERAL CONSIDERATIONS

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

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

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

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

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

_____ 5.3a* Has the government refrained from blending component units that do not meet at least one of the following criteria: 1) The component unit's

governing body is substantively the same as the governing body of the primary government *and* either (a) there is either a financial benefit or burden relationship between the primary government and the component unit *or* (b) management of the primary government has operational responsibility for the component unit 2) The component unit provides services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government, or 3) The component unit's total debt outstanding, including leases, is expected to be repaid entirely, or almost entirely, with the resources of the primary government. [GASB-S61: 8a-c; GAAFR: 80-81]

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

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

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

GOVERNMENT-WIDE STATEMENT OF NET POSITION

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

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

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

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

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

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

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

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

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

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

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

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

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

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

Explanation: The government is not restricted to using the broad

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

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

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

5.13c

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

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

5.13d*

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

5.14

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

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

5.15

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

5.16

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

6. FINANCIAL SECTION – FUND FINANCIAL STATEMENTS

GENERAL CONSIDERATIONS

Yes No N/A

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

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

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

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

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

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

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

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

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

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

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

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

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

7. FINANCIAL SECTION – GOVERNMENTAL FUND FINANCIAL STATEMENTS

GENERAL CONSIDERATIONS

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

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

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

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

Yes No N/A

_____	_____	_____	7.4	Does the government refrain from using a special revenue fund to account for resources held in trust for individuals, private organizations, or other governments? [GASB-S54: 30; GAAFR 46]
_____	_____	_____	7.5	If reported, are capital projects funds used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets except for capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations or other governments? [GASB-S54: 33; GAAFR 42]
_____	_____	_____	7.6	If reported, are debt service funds used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest? [GASB-S54: 34; GAAFR 42-43]
				Explanation: It is necessary to use debt service funds when the use of a debt service fund is legally mandated or when financial resources are being accumulated for principal and interest maturing in future years.
_____	_____	_____	7.7	If reported, are permanent funds used exclusively to report resources available to support the government's programs, but that are legally restricted so that only earnings (and not principal) may be used? [GASB-S54: 35; GAAFR 43]
				Explanation: Permanent funds should <i>not</i> include private-purpose trust arrangements that require the government to use the principal or earnings for the benefit of individuals, private organizations, or other governments, and <i>not</i> for the reporting government's own programs.
_____	_____	_____	7.8*	Is each major governmental fund reported in a separate column? [GASB-S34: 75-6; GAAFR 183]
				Explanation: The general fund must always be reported as a major fund. Other governmental funds must be reported as major funds if they meet certain criteria established by SGAS 34. The determination whether a particular fund must be reported as a major fund should be made each year. However, even funds that do <i>not</i> meet these criteria may be reported voluntarily as major funds.
_____	_____	_____	7.9*	Are all nonmajor governmental funds reported in a single column, regardless of fund type? [GASB-S34: 75; GAAFR 183]
_____	_____	_____	7.10*	Is a total column presented? [GASB-S34: 83 and 86; GAAFR 193]
_____	_____	_____	7.10a*	Is a summary reconciliation provided, if needed, that ties this total column and the related amount reported for governmental activities in the government-wide financial statements? [GASB-S34: 77, 85; GAAFR 193-194]
				A reconciliation would be necessary, for example if one or more internal service funds are consolidated as part of <i>governmental activities</i> .
_____	_____	_____	7.10b	If aggregation in the summary reconciliation obscures the nature of the individual elements of a particular reconciling item, has the government provided a more detailed explanation in the notes to the financial statements? [GASB-S34: 77; Q&A 7.57.3; GAAFR 194]

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

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

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

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

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

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

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

7.14d

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

7.14e

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

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

7.14e1

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

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

7.14f

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

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

Yes No N/A

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

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

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

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

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

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

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

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

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

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

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

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

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

_____ 7.21* If the government has used a refunding transaction to defease or redeem debt involving the receipt of cash or cash equivalents related to the refunding debt,

Yes No N/A

has it reported the proceeds of the refunding debt as an other financing source - issuance of refunding bonds? [GASB-S7: 8; GAAFR 473]

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

7.21b* If the government has used a refunding transaction to redeem debt involving the receipt of cash or cash equivalents related to the refunding debt, has it reported application of the cash or cash equivalent proceeds as debt service expenditures? [GAAFR 474]

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

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

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

7.22a Is the budgetary comparison titled a *statement* rather than a *schedule*? [GASB-S34: note 53; GAAFR 197]

7.22b* Are separate budgetary comparisons included for the general fund and each annually budgeted major special revenue fund? [GASB-S34: 130; GAAFR 196]

7.22c* Has the government refrained from presenting budgetary comparisons for debt service funds, capital projects funds, permanent funds, major special revenue funds without annual budgets, and nonmajor special revenue funds in the budgetary comparison statement ? [GAAFR 196-197]

7.22d* Does the budgetary statement present the original budget? [GASB-S34: 130a; GAAFR 197-198]

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

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

Yes No N/A

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

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

**8. FINANCIAL SECTION – PROPRIETARY FUND
FINANCIAL STATEMENTS**

GENERAL CONSIDERATIONS

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

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

Yes No N/A

- | | | | | |
|-------|-------|-------|--------|--|
| _____ | _____ | _____ | 8.8* | Has the government refrained from reporting assets other than 1) cash and cash equivalents, 2) interfund receivables and payables that arise from transactions and events involving cash or cash equivalents, and 3) assets that normally convert to cash or cash equivalents (e.g., certificates of deposit, marketable investments, and receivables resulting from cash loans) that arise from transactions and events involving cash or cash equivalents? [Certificate of Conformance Program requirement] |
| _____ | _____ | _____ | 8.9* | Has the government refrained from reporting liabilities other than 1) interfund payables that arise from transactions and events involving cash or cash equivalents and 2) liabilities for cash (or cash equivalents) held on behalf of others, held in escrow, or received in advance of being earned or meeting eligibility requirements? [Certificate of Conformance Program requirement] |
| _____ | _____ | _____ | 8.10* | Is the difference between assets and liabilities reported as <i>net position</i> or <i>equity</i> ? [GASB-S34: 98, note 40; GAAFR 234-235] |
| _____ | _____ | _____ | 8.10a | Are only amounts with externally imposed restrictions (e.g., through debt covenants or by grantors) or restrictions imposed by law through constitutional provisions or enabling legislation included in the calculation of <i>restricted net position</i> ? [GASB-S34: 34; Q&A 7.24.1; GAAFR 234]

<i>If a government has both permanently and temporarily restricted net position, the amount reported for “restricted net position” should be divided between “nonexpendable” (i.e., permanently restricted) and “expendable” (i.e., temporarily restricted) amounts. [GASB-S34: 35; GAAFR 305]</i> |
| _____ | _____ | _____ | 8.10b* | Has the government refrained from reporting either <i>contributed capital</i> or <i>retained earnings</i> ? [GASB-S34: 98; GAAFR 234] |

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

- | | | | | |
|-------|-------|-------|-------|--|
| _____ | _____ | _____ | 8.11* | Does the statement distinguish between operating and nonoperating revenues and expenses? [GASB-S34: 100; GAAFR 235] |
| _____ | _____ | _____ | 8.11a | Has the government refrained from including taxes and grants within the operating category? [GASB-S34: 102; GAAFR 235] |
| _____ | _____ | _____ | 8.11b | Is <i>operating income/loss</i> (or a similar caption consistent with a modified cash basis) reported as a separate line item? [GASB-S34: 100, GAAFR 235] |
| _____ | _____ | _____ | 8.11c | Are cash inflows and outflows related to the acquisition and disposition of capital assets and the issuance and retirement of long-term debt reported within the nonoperating category? [Certificate of Conformance Program requirement] |
| _____ | _____ | _____ | 8.12 | Are revenue and expense classifications sufficiently detailed to be meaningful? [Certificate of Conformance Program requirement] |
| _____ | _____ | _____ | 8.13* | Has the government reported each of the following items arising from transactions and events involving cash or cash equivalents separately from |

operating and nonoperating revenues and expenses, immediately before the total change in net position: capital contributions, additions to endowments, special items, extraordinary items, and transfers? [GASB-S34: 100-101]

**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
– MODIFIED CASH BASIS**

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

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

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

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

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

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

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

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

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

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

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

- Items whose turnover is quick, whose amounts are large, and whose maturities are short (certain investments, loans receivable, and debt),

provided the original maturity of the asset or liability is three months or less; or
 - Governmental enterprises whose assets for the most part are highly liquid investments and that have little or no debt outstanding during the period.

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

Explanation: One of four approaches may be taken to accomplish this objective when *cash and cash equivalents* are included as part of restricted assets:
 - Reporting the portion of restricted assets that represents cash and cash equivalents as a separate line item on the statement of position;
 - Reporting the amount of cash and cash equivalents included as part of restricted assets parenthetically on the statement of position;
 - Reporting the amount of cash and cash equivalents included as part of restricted assets parenthetically on the statement of cash flows; or
 - Providing a reconciliation on the face of the statement of cash flows.

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

9. FINANCIAL SECTION – FIDUCIARY FUND FINANCIAL STATEMENTS

GENERAL CONSIDERATIONS

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

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

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

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

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

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

If the government sponsors an investment pool in which outside parties participate or maintains individual investment accounts for outside parties, it

Yes No N/A

should report this activity in an investment trust fund. [GASB-S34: 71; GASB-S31: 20; GAAFR 47]

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

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

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

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

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

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

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

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

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

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

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

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

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

Explanation: The categories *additions* and *deductions* are significantly broader than *revenues* and *expenses*. While some *additions* may properly be categorized

as *revenues* and some *deductions* as *expenses*, others may not. Accordingly, financial statement preparers are advised to avoid the use of the terms *revenues* and *expenses* as much as possible in conjunction with the statement of changes in fiduciary net position.

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

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

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

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

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

Yes No N/A

<u>Yes</u>	<u>No</u>	<u>N/A</u>	
_____	_____	_____	10.5 If the government is the component unit of another government does the SSAP identify the primary government and explain its relationship to it? [GASB-A14: 65; GAAFR 235]
_____	_____	_____	10.6 Does the SSAP explain how data from the fund financial statements are incorporated into either <i>governmental activities</i> or <i>business-type activities</i> ? [GASB <i>Codification</i> , 2300.901, IC1, GAAFR 235]
_____	_____	_____	10.7 Does the SSAP identify major discretely presented component units and indicate where information on individual units can be found within the basic financial statements? [GASB <i>Codification</i> , 2300.901, IC1, GAAFR 235]
_____	_____	_____	10.8 Does the SSAP explain which elements of internal activity have been eliminated from the government-wide statement of activities and which have been retained? [GASB S-34: 115c; Q&A 7.84.2; GAAFR 326-327]
			Explanation: The disclosure concerning the elimination of internal activity should be specific rather than generic.
_____	_____	_____	10.9 If the financial reporting entity includes component units with differing fiscal year ends, does the SSAP identify the difference in fiscal year ends and describe the effect of the difference (if any) on the amounts reported for the period? [GASB S-14: 60; GAAFR 327]
			Explanation: The fact that different fiscal years are used should be disclosed even when there is no effect on the amounts reported for the period.
_____	_____	_____	10.10 Does the SSAP identify each of the fund types used in the fund financial statements? [Certificate of Conformance Program requirement]
			Explanation: A description of the use of each of the fund types is appropriate.
_____	_____	_____	10.11 Does the SSAP indicate the fund type of each of the major funds? [Certificate of Conformance Program requirement]
_____	_____	_____	10.12 Does the SSAP provide at least a generic description of the activities of the general fund? [GASB S-38: 6; GAAFR 328]
_____	_____	_____	10.13 Does the SSAP provide a specific description of the activities of each major fund other than the general fund? [GASB S-38: 6; GAAFR 328]
			Explanation: A description is not necessary if the title of the column itself already provides the necessary information.
_____	_____	_____	10.14 Does the SSAP provide a specific description of the activities of each fund-type column? [GASB S-38: 6; GAAFR 328]
_____	_____	_____	10.15 Does the SSAP disclose the elimination of internal balances and transfers arising from transactions or events involving cash or cash equivalents between governmental funds or between enterprise funds if a separate eliminations column is not presented in the fund financial statements? [GASB <i>Codification</i> 2300.901 ID3; GAAFR 329]

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Yes No N/A

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| _____ | _____ | _____ | 10.23 | If the government reports <i>committed fund balance</i> , does the SSAP disclose the government's highest level of decision-making authority? [GASB S-54: 23; GAAFR 336] |
| _____ | _____ | _____ | 10.24 | If the government reports <i>committed fund balance</i> , does the SSAP disclose the formal action required to commit fund balance? [GASB S-54: 23; GAAFR 336] |
| _____ | _____ | _____ | 10.25 | If the government reports <i>assigned fund balance</i> , does the SSAP disclose the body or official authorized to assign amounts to a specific purpose? [GASB S-54: 23; GAAFR 336] |
| _____ | _____ | _____ | 10.26 | If the government reports assigned fund balance, does the SSAP disclose the policy used to authorize the assignment of resources? [GASB S-54: 23; GAAFR 336] |
| _____ | _____ | _____ | 10.27 | Does the SSAP describe the specific revenues classified as <i>program revenues</i> ? [GASB S-34:115f; GAAFR 336] |

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

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

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

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

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

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

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

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

Explanation: *At a minimum*, the reconciliation should distinguish 1) *basis* differences, 2) *timing* differences, 3) *perspective* differences, and

Yes No N/A

4) *entity* differences. Thus, for example, if a fund had reconciling items in each of these four categories, the reconciliation would need to present *at least* four reconciling amounts.

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

Yes No N/A

- _____ _____ _____ 11.13 If a government's investments are exposed to custodial credit risk, credit risk, concentration risk, interest rate risk, or foreign currency risk, do the notes disclose the government's policy for each such risk or indicate that it does not have a policy for a given risk? [GASB-S40: 6; GAAFR 353]
- _____ _____ _____ 11.14 Do the notes disclose the credit ratings (or explain that credit ratings are not available) for investments in debt securities arising from transactions or events involving cash or cash equivalents (other than debt issued by or explicitly guaranteed by the U.S. government), as well as for positions in external investment pools, money market funds, bond mutual funds, and other pooled investments of fixed-income securities? [GASB-S40: 7; GAAFR 353]
- _____ _____ _____ 11.15 Do the notes use one of five approved methods (i.e., segmented time distribution, specific identification, weighted average maturity, duration, or simulation model) to disclose interest rate risk for positions in fixed-rate debt securities? [GASB-S40: 14-15; GASB-S 59: 6; GAAFR 359-360]

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

- _____ _____ _____ 11.15a Do the notes disclose any assumptions used in the disclosure of interest rate risk (e.g., timing of cash flows, interest rate changes, or other factors that affect interest rate risk)? [GASB-S40: 15]
- The notes should disclose the terms of any debt investment that cause its fair value to be highly sensitive to interest rate changes (e.g., coupon multipliers, benchmark indices, reset dates, embedded options). [GASB-S40: 16; GAAFR 360]*

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

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

- _____ _____ _____ 11.17 Do the notes disclose concentrations of 5 percent or more of net investments in securities of a single organization (other than those issued or explicitly guaranteed by the U.S. government, investments in mutual funds, external investment pools, and other pooled investments)? [GASB-S40: 11; GAAFR 358]
- _____ _____ _____ 11.18 Do the notes disclose the fair value at the end of the period of investments that arise from transactions and events involving cash or cash equivalents whose fair value is materially different from their carrying value on a modified cash basis? [Certificate of Conformance Program requirement]
- _____ _____ _____ 11.19 If the government is party to a derivative as of the close of the fiscal period, do the notes disclose that fact and the general risks associated with such derivatives? [Certificate of Conformance Program requirement]

Yes No N/A

_____	_____	_____	11.20	Do the notes disclose any contingent liabilities? [GASB-S10: 58; GAAFR 388]
_____	_____	_____	11.21	Do the notes disclose any guarantees of indebtedness, even if the likelihood of loss is considered to be remote? [GASB-S 62: 109; GAAFR 388]
_____	_____	_____	11.22	Do the notes disclose any material subsequent events? [GASB-S56: 8-10; NCGA-I6: 4d; GAAFR 389]
_____	_____	_____	11.23	Do the notes disclose any material violations of finance-related legal and contractual provisions?[NCGA-I6: 4g; GAAFR 347]
_____	_____	_____	11.23a	If a violation is significant, do the notes identify actions that the government has taken to address the violation? [GASB-S38: 9; GAAFR 347]
_____	_____	_____	11.24	Do the notes disclose a general description of outstanding long-term debt obligations that normally would be reported as liabilities in GAAP financial statements, including obligations related to outstanding bonds and notes? [Certificate of Conformance Program Requirement]
_____	_____	_____	11.25	Do the notes disclose debt service to maturity for all outstanding long-term debt obligations? [NCGA-I6: 4h; GASB-S38: 10; GAAFR 376]
_____	_____	_____	11.25a	Does the disclosure present debt service payments separately for each of the next five years? [GASB-S38: 10a; GAAFR 376]
_____	_____	_____	11.25b	Are the principal and interest components of debt service presented separately? [GASB-S 38: 10a; GAAFR 376]
<p>Explanation: In the case of variable-rate debt, the interest rate in effect at the financial statement date should be used to calculate the interest component of debt service payments.</p>				
_____	_____	_____	11.25c	At a minimum, are debt service payments for subsequent years reported in five-year increments? [GASB-S38: 10a; GAAFR 376]
_____	_____	_____	11.25d	If the government has variable rate debt outstanding, do the notes disclose the terms by which interest rates change? [GASB-S38: 10b; GAAFR 376]
_____	_____	_____	11.26	If the government is the lessee in a capital lease arrangement that normally would be reported as a liability in GAAP financial statements, do the notes disclose that fact? [NCGA-S5: 27; GAAFR 373-374] If so:
_____	_____	_____	11.26a	Do the notes describe the lease arrangements? [NCGA-S5: 27; GAAFR 374]
_____	_____	_____	11.26b	Do the notes disclose the minimum future lease payments in total and for each of the next five years? [GASB-S38: 11; GAAFR 374]
_____	_____	_____	11.26b1	At a minimum, are minimum future lease payments for subsequent years reported in five-year increments? [GASB-S38: 11]

Yes No N/A

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| _____ | _____ | _____ | 11.27 | If the government is the lessee in an operating lease, do the notes describe the general leasing arrangements and current-year rental costs, as well as any contingent rentals? [GASB-S 62: 223 c-d; GAAFR 374] |
| _____ | _____ | _____ | 11.28 | If the government is the lessee in a noncancellable operating lease of more than one year, do the notes disclose the future minimum rental payments in total and for each of the next five years and minimum future lease payments for subsequent years in five-year increments? GASB-S38: 11; GASB-S 62: 223b; GAAFR 374] |
| _____ | _____ | _____ | 11.29 | Do the notes disclose other significant commitments (e.g., construction contracts and encumbrances)? [NCGA-I6: 4j; GASB-S54: 24; GAAFR 226] |

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

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| _____ | _____ | _____ | 11.30 | Do the notes mention the government's obligations, if any, in regard to items that normally would be accrued as liabilities in GAAP financial statements (e.g., claims and judgments, compensated absences, pension benefits and OPEB, landfill closure and postclosure care costs, pollution remediation obligations)? [Certificate of Conformance Program requirement] |
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The amount of the obligations does *not* need to be quantified, but may be presented if it already is available for other purposes.

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| _____ | _____ | _____ | 11.31 | Do the notes disclose changes in outstanding long-term debt obligation balances during the period? [GASB-S34: 119; GAAFR 375] |
| _____ | _____ | _____ | 11.31a | Do the notes report these changes gross rather than net? [GASB-S34: 119b; GAAFR 375] |
| _____ | _____ | _____ | 11.32 | If the government incurred an obligation for termination benefits (for either voluntary or involuntary terminations) during the current period, do the notes disclose that fact? [GASB-S47: 372] |
| _____ | _____ | _____ | 11.33 | If an obligating event occurred related to pollution remediation, do the notes disclose that fact [GASB S-49: 25; GAAFR 379-380]? |

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

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

- The government commences, or legally obligates itself to commence, cleanup activities, or monitoring or operation and maintenance of the remediation effort.

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

___ ___ ___ 11.34a Do the notes describe the benefit plan? [GASB-S27: 20a1; GASB-S45: 24a1; GAAFR 369]

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

___ ___ ___ 11.34b Do the notes briefly describe the types of benefits offered and the authority for establishing and amending benefits? [GASB-S27: 20a2; GASB-S45: 24a2; GAAFR 369]

___ ___ ___ 11.34c Do the notes disclose whether the plan issues a separate report or is included in the report of a public employees' retirement system or another entity? [GASB-S27: 20a3; GASB-S45: 24a3; GAAFR 369]

___ ___ ___ 11.34c1 If a separate report is issued for a plan, do the notes disclose how to obtain a copy of the report? [GASB-S27: 20a3; GASB-S45: 24a3; GAAFR 369]

___ ___ ___ 11.34d Do the notes describe the authority for establishing and amending the funding policy? [GASB-S27: 20b1; GASB-S45: 24b1; GAAFR 369]

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

___ ___ ___ 11.34e Do the notes indicate the employer's contribution rate(s)? [GASB-S27: 20b3; GASB-S45: 24b3; GAAFR 369]

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

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

___ ___ ___ 11.34e1 Are employer contribution rates expressed either in dollars or as a percentage of current-year payroll? [GASB-S27: 20b3; GASB-S45: 24b3; GAAFR 369]

Explanation: See explanation following question 11.1e.

Yes No N/A

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

_____ 11.34f If the government participates in a cost-sharing, multiple-employer defined benefit plan, do the notes provide information on both required and actual contributions? [GASB-S27: 20b3; GASB-S45: 24b3; GASB-TB 04-2: 2-6; GAAFR 369]

Explanation: This disclosure for required and actual contributions should provide information for the contractually required contributions due during the period. Also, the government should not reduce the contractually required contribution for an OPEB plan by payments from the federal government under Medicare Part D.
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_____ 11.34f1 Is the current year's required contribution stated in dollars? [GASB-S27: 20b3; GASB-S45: 24b3; GAAFR 221, note 369]

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

_____ 11.34f2 Are actual cash contributions presented as a percentage of required contributions? [GASB-S27: 20b3; GASB-S45: 24b3; GAAFR 369]

_____ 11.34f3 Is all information presented both for the current year and each of the preceding two years? [GASB-S27: 20b3; GASB-S45: 24b3; GAAFR 369]

_____ 11.34g In the case of a cost-sharing multiple-employer plan, does the disclosure state how the required contribution rate is determined (e.g., by statute, contract, or on an actuarial basis) or state that the plan is financed on a pay-as-you-go basis? [GASB-S45: 24b; GASB-S50: 7b; GAAFR 369]

_____ 11.35 If the government participates in a defined contribution benefit plan, do the notes provide information on the arrangement? [GASB-S27: 27; GASB-S45: 29; GAAFR 371] If so:

_____ 11.35a Do the notes disclose the name of the benefit plan? [GASB-S27: 27a; GASB-S45: 31a; GAAFR 371]

_____ 11.35b Do the notes disclose the entity that administers the benefit plan? [GASB-S27: 27a; GASB-S45: 31a; GAAFR 371]

_____ 11.35c Do the notes identify the arrangement as a defined contribution benefit plan? [GASB-S27: 27a; GASB-S45: 31a; GAAFR 371]

_____ 11.35d Do the notes briefly describe the plan's provisions? [GASB-S27: 27b; GASB-S45: 31b; GAAFR 371]

_____ 11.35e Do the notes disclose the authority for establishing or amending the plan's provisions? [GASB-S27: 27b; GASB-S45: 31b; GAAFR 371]

Yes No N/A

<u>Yes</u>	<u>No</u>	<u>N/A</u>		
_____	_____	_____	11.35f	Do the notes disclose contribution amounts (either in dollars or as a percentage of salary) for the employer, participating employees, and other contributors? [GASB-S27: 27c; GASB-S45: 31c; GAAFR 371]
_____	_____	_____	11.35g	Do the notes disclose the authority for establishing or amending contribution requirements? [GASB-S27: 27c; GASB-S45: 31c; GAAFR 371]
_____	_____	_____	11.35h	Do the notes disclose contributions actually made by the employer and plan members? [GASB-S27: 27d; GASB-S45: 31d; GAAFR 371]
_____	_____	_____	11.36	If the government participates in an insured benefit plan, do the notes 1) describe the plan, 2) state that the responsibility for making payments to employees has effectively been transferred to the insurer, 3) indicate whether the employer has guaranteed benefits in the event of default by the insurer, 4) disclose the amount of current-year benefit cost, and 5) disclose contributions or premiums actually paid? [GASB-S27: 23; GASB-S45: 28; GAAFR 371-372]
_____	_____	_____	11.37	If the government is legally responsible for paying benefits on behalf of the employees of another entity, do the notes provide the same information required for a benefit plan provided to the government's own employees? [GASB-S27: 28; GASB-S45: 32; GAAFR 407]
_____	_____	_____	11.38	Do the notes disclose any material deficit in an individual fund that is not visible on the face of the basic financial statements? [NCGA-S1: 158; GAAFR 348]
_____	_____	_____	11.39	Do the notes provide information on interfund balances and transfers arising from transactions or events involving cash or cash equivalents? [GASB-S38: 14-5; GAAFR 381] If so:
<p>Explanation: interfund balances and transfers should be reported only if they result from transactions or events involving cash or cash equivalents. Accordingly, no amounts should be reported for accruals resulting from interfund services provided or used or similar items.</p>				
_____	_____	_____	11.39a	Do the notes disclose the amounts due from other funds by individual major fund, nonmajor governmental funds in the aggregate, nonmajor enterprise funds in the aggregate, internal service funds in the aggregate, and fiduciary fund type? [GASB-S38: 14a; GAAFR 381]
_____	_____	_____	11.39b	Do the notes disclose the purpose of interfund balances? [GASB-S38: 14b; GAAFR 381]
_____	_____	_____	11.39c	Do the notes disclose interfund balances that are not expected to be repaid within one year from the date of the financial statements? [GASB-S38: 14c; GAAFR 381]
_____	_____	_____	11.39d	Do the notes disclose amounts transferred from other funds by individual major fund, nonmajor governmental funds in the aggregate, nonmajor enterprise funds in the aggregate, internal service funds in the aggregate, and fiduciary fund type? [GASB-S38: 15a; GAAFR 384]
_____	_____	_____	11.39e	Do the notes disclose the principal purposes of interfund transfers? [GASB-S38: 15b; GAAFR 384]

<u>Yes</u>	<u>No</u>	<u>N/A</u>		
_____	_____	_____	11.39f	Do the notes should disclose the intended purpose and amount of significant transfers that do not occur on a routine basis or are inconsistent with the activities of the fund making the transfer? [GASB-S38: 15c; GAAFR 384]
_____	_____	_____	11.40	Do the notes disclose any significant transactions between the primary government and its discretely presented component units? [GASB S-34: 128; GAAFR 382]
_____	_____	_____	11.41	If the government has been the recipient of an endowment as the result of a transaction or event involving cash or cash equivalents, do the notes describe the endowment? [GASB-S34: 121; GAAFR 383] If so:
_____	_____	_____	11.41a	Do the notes disclose the policy for authorizing and spending investment income? [GASB-S34: 121c; GAAFR 383]
_____	_____	_____	11.42	Do the notes discuss the government's risk financing activities? [GASB-S10: 77; GAAFR 372] If so:
_____	_____	_____	11.42a	Do the notes describe the types of risk faced by the government? [GASB-S10: 77a; GAAFR 372]
_____	_____	_____	11.42a1	Do the notes describe how each type of risk is being handled? [GASB-S10: 77a; GAAFR 372]
_____	_____	_____	11.42b	If there has been any significant reduction in insurance coverage from the previous year, do the notes disclose this reduction by risk category? [GASB-S10: 77b; GAAFR 372]
_____	_____	_____	11.42c	Do the notes indicate <i>whether</i> the amount of settlements exceeded insurance coverage in each of the past three years? [GASB-S10: 77b; GAAFR 372]
_____	_____	_____	11.42d	If the government participates in a risk pool, do the notes describe the arrangement? [GASB-S10: 77c; GAAFR 373]
_____	_____	_____	11.42d1	Do the notes specifically address the rights and responsibilities of both the government and the pool? [GASB-S10: 77c; GAAFR 373]
_____	_____	_____	11.42e	If the government retains some risk of loss, do the notes mention this fact? [GASB-S10: 77d; GAAFR 373]
_____	_____	_____	11.43	If the government's enterprise funds encompass one or more segments, do the notes disclose the types of goods or services provided by the segment? [GASB-S34: 122a; GAAFR 384]
_____	_____	_____	11.43a	Does the government report condensed financial data for segments that are not also major funds? [GASB-S34: 122b-d; GAAFR 384-385] If so:
_____	_____	_____	11.43a1	Do the notes present a condensed statement of net position for each segment on a modified cash basis? [GASB-S34: 122b; GAAFR 385]

Yes No N/A

_____	_____	_____	11.43a2	Do the notes present a condensed statement of revenues, expenses, and changes in net position for each segment on a modified cash basis? [GASB-S34: 122c; GAAFR 385]
_____	_____	_____	11.43a3	Do the notes present a condensed statement of cash flows for each segment on a modified cash basis? [GASB-S34: 122d; GAAFR 385]
_____	_____	_____	11.44	If the government has engaged in short-term debt activity during the year (e.g., anticipation notes, use of lines of credit), even though no outstanding short-term debt is reported on the face of the modified cash basis financial statements at the end of the fiscal period, has the government discussed this fact? [GASB-S38: 12; GAAFR 374] If so:
_____	_____	_____	11.44a	Has the government provided a schedule of changes in short-term debt (i.e., beginning of period balance, increases, decreases, end of period balance)? [GASB-S38: 12a; GAAFR 374]
_____	_____	_____	11.44b	Has the government provided an explanation of the purpose for which the short-term debt was issued? [GASB-S38: 12b; GAAFR 374]
_____	_____	_____	11.45	If the government engaged in material related party transactions involving cash or cash equivalents, do the notes mention that fact? If so:
_____	_____	_____	11.45a	Do the notes disclose the nature of the relationship(s) involved? [GASB-S62:55a; GAAFR 388]
_____	_____	_____	11.45b	Do the notes describe the transactions, including transactions to which no amounts or nominal amounts were ascribed, for each of the periods for which financial statements are presented, and such other information deemed necessary to gain an understanding of the effects of the transactions on the financial statements? [GASB-S62:55b; GAAFR 388]
_____	_____	_____	11.45c	Do the notes disclose the dollar amounts of transactions for each of the periods for which financial statements are presented and the effects of any change in the method of establishing the terms from that used in the preceding period? [GASB-S62:55c; GAAFR 388]
_____	_____	_____	11.45d	Do the notes disclose amounts due from or to related parties as of the date of each statement of net position presented and, if not otherwise apparent, the terms and manner of settlement? [GASB-S62:55d; GAAFR 388]
				<p>Examples of related party transactions include:</p> <ul style="list-style-type: none">• Borrowing or lending on an interest-free basis or at a rate of interest significantly different than rates in effect at the transaction date;• Selling real estate at a price that differs significantly from its appraised value;• Making loans with no scheduled repayment terms.
_____	_____	_____	11.46	If the government participates in a joint venture, do the notes disclose this fact? [GASB-S14: 75; GAAFR 387] If so:

Yes No N/A

<u>Yes</u>	<u>No</u>	<u>N/A</u>		
_____	_____	_____	11.46a	Do the notes describe the nature of any ongoing financial interest or responsibility resulting from participation in the joint venture? [GASB-S14: 75a(1); GAAFR 387]
_____	_____	_____	11.46b	Do the notes provide information on how to obtain the financial statements of the joint venture? [GASB-S14: 75a(2); GAAFR 387]
_____	_____	_____	11.46c	Do the notes provide information designed to allow the reader to evaluate whether the joint venture is accumulating significant financial resources or is experiencing fiscal stress that may cause an additional financial benefit to or burden on the participating government in the future? [GASB-S14: 75a(1); GAAFR 387]
_____	_____	_____	11.47	If the government participates in a jointly governed organization, do the notes provide any relevant information on related party transactions? [GASB-S14: 77; GAAFR 387]
_____	_____	_____	11.48	If the government undertook a refunding during the period that either defeased or redeemed the refunded debt obligation, do the notes disclose this fact? [GASB-S7: 11-14;GAAFR 377]
_____	_____	_____	11.48a	Do the notes provide a brief description of the refunding transaction(s)? [GASB-S7: 11; GAAFR 377]
_____	_____	_____	11.48b	Do the notes disclose the aggregate difference in debt service between the refunding debt and the refunded debt? [GASB-S7: 11; GAAFR 377]
<p>Explanation : The notes also may disclose the economic gain or loss on the transaction. [GASB-S7: 11; GAAFR 377]</p>				
_____	_____	_____	11.49	Do the notes provide information on the nature of the major purposes for nonspendable, restricted, committed or assigned fund balance not described on the face of the governmental funds balance sheet? [GASB-S54:25; GAAFR 380]
<p>Explanation: The government can provide the necessary detail for the categories of fund balance through the display of the information on the face of the financial statements, through disclosures in the notes to the financial statements or through a combination of these two. In other words, the government may display the specific purpose details for some classifications on the face of the financial statements and disclose the details for other classifications in the notes to the financial statements.</p>				
_____	_____	_____	11.49a	If applicable, is the detail for the two types of nonspendable fund balance (not in spendable form and legally or contractually required to be maintained intact) disclosed? [GASB-S54:25; GAAFR 380]
_____	_____	_____	11.49b	If a government has established a stabilization arrangement do the notes disclose 1) the authority for establishing the arrangement, 2) the requirements for additions to the stabilization amount, 3) the conditions under which stabilization amounts may be spent, and 4) the stabilization balance, if not apparent on the face of the financial statements. [GASB-S54: 26; GAAFR 380]

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

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

Yes No N/A

11.59 If the government reports a prior-period adjustment or a change in accounting principle, do the notes explain the nature of the adjustment or change and the cumulative effect of the adjustment or change? [GASB-S62: 62; GAAFR 348]

Explanation: When financial statements for only a single period are presented, the disclosure should indicate the effects of such restatement on the balance of net position at the beginning of the period and on the change in net position of the immediately preceding period. When financial statements for more than one period are presented, the disclosure should include the effects for each of the periods included in the statements.
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11.60 If the significant components of receivables and payables arising from transactions and events involving cash or cash equivalents have been obscured by aggregation on the face of the financial statements, do the notes provide the missing detail? [GASB-S38: 13; GAAFR 366 and 368]

11.61 If significant balances of receivables arising from transactions and events involving cash or cash equivalents are not expected to be collected within one year of the end of the fiscal period, do the notes disclose that fact? [GASB-S38:13; GAAFR 366]

11.62 If the government has pledged future revenues, do the notes include the required disclosures? [GASB-S48: 21; GAAFR 376-377]

11.62a Do the notes disclose the specific revenue pledged and the approximate amount of the pledge, if determinable? [GASB-S48: 21; GAAFR 376]

11.62b Do the notes disclose the general purpose of the debt secured by the pledged revenue? [GASB-S48: 21; GAAFR 376]

11.62c Do the notes disclose the term of the commitment (i.e., the period during which the revenue will not be available)? [GASB-S48: 21; GAAFR 376]

11.62d Do the notes disclose the relationship of the pledged amount to the total for that specific revenue (e.g., the proportion of the specific revenue stream that has been pledged), if determinable? [GASB-S48: 21; GAAFR 376]

11.62e Do the notes include a comparison of the pledged revenues recognized during the period to the principal and interest requirements for the debt directly or indirectly collateralized by those revenues? [GASB-S48: 21; GAAFR 377]

11.63 If during the current fiscal year the government had a transaction that qualifies as a sale of future revenues, do the notes disclose that fact? [GASB-S48: 22; GAAFR 382]

11.64 If the government is party to a service concession arrangement, do the notes disclose that fact? [GASB S-60; 16-17; GAAFR 383]

Yes No N/A

11.65 If there is substantial doubt about the government's ability to continue as a going concern, do the notes include appropriate disclosure? [GASB-S56: 19; GAAFR 390]

Explanation: Financial statement preparers should evaluate whether there is substantial doubt about the government's ability to continue as a going concern for 12 months beyond the financial statement date. Also, if there is information that is currently known to the government that may raise substantial doubt shortly thereafter (for example, within an additional three months), it should be considered. Disclosure should include all of the following, as appropriate:

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

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

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

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

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

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

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

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

Yes No N/A

_____	_____	_____	12.1a	Do the combining statements provide information on each individual fund included? [GAAFR 596-597]
_____	_____	_____	12.1b	Do the combining statements for governmental funds identify individual funds by fund type? [GAAFR 597]
_____	_____	_____	12.1c*	Do the combining statements for pension (and other employee benefit) trust funds report separate columns for each individual plan? [GASB-S25: 15; GAAFR 47]
<p>Explanation: GAAP as applied to the modified cash basis require that each separate plan be treated as a separate fund in its own right, even if administered by a single public employee retirement system. If the notes do <i>not</i> refer to a separately issued benefit plan report providing the needed information, then information on separate plans must be included <i>within the notes to the financial statements</i>.</p>				
_____	_____	_____	12.1d	Has the government refrained from reporting healthcare benefits for retirees in the same fund as pension benefits? [Q&A 8.5.1, 8.5.4, and 8.5.5]
<p>Explanation: Even if the participants make a single contribution to the plan and the plan's ability to provide healthcare benefits is conditioned on its ability to maintain sound funding of the pension benefits, the government should separately report the defined benefit pension plan and the OPEB plan.</p> <p>If a defined benefit pension plan administers a postemployment healthcare plan that is funded by "excess investment earnings" (investment earnings for a particular year in excess of the long-term investment earnings assumption used for actuarial valuation purposes), the government should report the arrangement described as two plans—a defined benefit pension plan and a postemployment healthcare (OPEB) plan.</p>				
_____	_____	_____	12.1e*	Do the combining statements for investment trust funds report separate columns for each individual governmental external investment pool? [GASB-S31: 18; GAAFR 47]
_____	_____	_____	12.1e1	If an entity uses investment trust funds to report both governmental external investment pools and individual investment accounts, are separate columns reported for each? [GASB-S31: 20; GAAFR 47]
_____	_____	_____	12.1f*	Does each combining statement include a total column? [GAAFR 597]
_____	_____	_____	12.1f1	Are the amounts reported in the total column easily traceable to the corresponding column in the basic fund financial statements [Certificate of Conformance Program requirement]?
_____	_____	_____	12.2*	Does the financial section include combining statements for individual discretely presented component units that are <i>not</i> reported as either 1) a separate column in the government-wide financial statements or 2) a separate column in a

Yes No N/A

component unit combining statement included within the basic financial statements? [GAAFR 596]

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

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

Yes No N/A

12.7 If individual fund financial statements are presented, do they provide additional information not already contained in the combining financial statements? [GAAFR 599]

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

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

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

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

Explanation: See explanation for 12.8.

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

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

13. OTHER INFORMATION ACCOMPANYING THE BASIC FINANCIAL STATEMENTS

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

Yes No N/A

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| _____ | _____ | _____ | 13.1a | Does that schedule present separately net position of 1) governmental activities, 2) business-type activities, and the 3) the primary government in total? |
| _____ | _____ | _____ | 13.1b | Does that schedule distinguish the <i>restricted</i> and <i>unrestricted</i> portions of net position? |
| _____ | _____ | _____ | 13.2* | Does the government provide a five-year schedule of trend information on changes in net position extracted from the government-wide statement of changes in net position – modified cash basis? [Certificate of Conformance Program requirement] If so: |
| _____ | _____ | _____ | 13.2a | Does that schedule separately present changes in net position of 1) governmental activities, 2) business-type activities, and 3) the primary government in total? |
| _____ | _____ | _____ | 13.2b | Does that schedule present expenses by function or program (governmental activities) or by identifiable activity (business-type activities)? |
| _____ | _____ | _____ | 13.2c | Does that schedule present program revenues by category (i.e., charges for services, operating grants and contributions, and capital grants and contributions)? |
| _____ | _____ | _____ | 13.2c1 | Are the most significant charges for services revenues presented by function or program (governmental activities) or by identifiable activity (business-type activities)? |
| _____ | _____ | _____ | 13.2c2 | Does the schedule present total net (expense) revenue (or a similar caption consistent with the modified cash basis)? |
| _____ | _____ | _____ | 13.2d | Does the schedule present general revenues and other changes in net position by type? |
| _____ | _____ | _____ | 13.2e | Does the schedule present the total change in net position? |
| _____ | _____ | _____ | 13.3* | Does the government present a schedule of five years of trend data on the fund balances of 1) the general fund and 2) all other governmental funds in the aggregate? [Certificate of Conformance Program Requirement] If so: |
| _____ | _____ | _____ | 13.3a | Does the table separately present nonspendable, restricted, committed, assigned, and unassigned fund balance? |

<p>Explanation: GASB Statement No. 54, as applied to the modified cash basis, replaced the categories that previously had been used to classify fund balance. Governments are encouraged to retroactively apply the provisions of GASB Statement No. 54 to fund balance data presented for years prior to the implementation of that pronouncement. However, it is only necessary for a government to apply the GASB Statement No. 54 categories prospectively, beginning with the year that that pronouncement is implemented.</p>

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| _____ | _____ | _____ | 13.4* | Does the government present five years of trend data on the changes in fund balances for 1) the general fund and 2) for all other governmental funds in the aggregate? [Certificate of Conformance Program requirement] If so: |
| _____ | _____ | _____ | 13.4a | Are revenues reported by source? |

Yes No N/A

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|-------|-------|-------|--------|--|
| _____ | _____ | _____ | 13.4b | Are expenditures reported by function or program? |
| _____ | _____ | _____ | 13.4b1 | Are debt service principal and interest expenditures shown separately? |
| _____ | _____ | _____ | 13.4c | Does the table include other financing sources and uses and other changes in fund balances by type? |
| _____ | _____ | _____ | 13.4d | Does the table present the total change in fund balances? |
| _____ | _____ | _____ | 13.5* | Does the government present five years of trend data on outstanding long-term debt obligations for 1) governmental activities, 2) business-type activities, and 3) the primary government in total? [Certificate of Conformance Program requirement] |

Each different type of debt should be listed separately

14. OTHER CONSIDERATIONS

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