

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

SCHOOL DISTRICTS

SRC REVIEW GUIDE

(Available electronically at www.gfoa.org)¹

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

When using these guidelines please note:

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

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

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

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

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

Abbreviations Used in this Checklist

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

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

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

INTRODUCTORY SECTION

LETTER OF TRANSMITTAL

- 2.4e Does the letter of transmittal include background information on the school district?
- 2.4f Does the letter of transmittal contain information designed to assist users in assessing the school district's economic condition (e.g., information on the local economy)? [GAAFR, page 593]

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

Finally, two types of information particularly useful for providing economic condition information for school districts are:

- Projected enrollment,
- The age of school buildings.

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

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

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

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

- 4.1e Does MD&A provide an overall analysis of the school district's financial position and results of operations? [GASB-S34: 11c; GAAFR, page 5693]

Explanation: *Analysis*, properly speaking, should focus on the *reasons for changes* rather than just their sizes. Review the condensed financial information to identify areas with significant changes that should be included in the analysis.

- 4.1e1 Does it specifically address whether the school district's overall financial position has improved or deteriorated? [GASB-S34: 11c; GAAFR, page 569]

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

- 4.1f Does MD&A provide an analysis of significant balances and transactions of individual major funds? [GASB-S34: 11d; GAAFR, page 569]

Explanation: *Analysis*, properly speaking, should focus on the *reasons for changes* rather than just their sizes. Normally, the analysis of individual funds is provided separately from the overall analysis described in question 4.1e. However, sometimes school districts combine the overall analysis and the fund analysis. Either approach is acceptable as long as the analysis

includes reasons for both the changes for each type of activity and for the individual major funds, as necessary (i.e., those with significant balances and/or transactions).

- 4.1f1 Does MD&A address whether restrictions, commitments, or other limitations significantly affect the availability of fund resources for future use? [GASB-S34: 11d; GAAFR, page 569]
- 4.1g Does MD&A provide an analysis of significant budgetary variations (both original budget versus final amended budget and final amended budget versus actual) for the general fund? [GASB-S34: 11e; GAAFR, page 570]
- 4.1h Does MD&A describe significant capital asset and long-term debt activity during the year? [GASB-S34: 11f; GAAFR, page 570]

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

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

Explanation: School districts may address in MD&A only those topics specifically identified in SGAS 34, paragraph 11. These topics are summarized in questions 4.1b-4.1i1 of this checklist. School districts are free, however, to provide whatever level of detail they believe appropriate in addressing these particular topics.

FINANCIAL SECTION – BASIC FINANCIAL STATEMENTS (PRELIMINARY CONSIDERATIONS)

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

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

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

- The fair value of effective hedges that are in a loss position (i.e., the cumulative amount of the fair value changes of the effective hedge is a debit). [GASB-S53: 20]
- For current refundings and advance refundings resulting in defeasance of debt the excess of the reacquisition price of the old debt over its net carrying amount [GASB-S65:5-6]
- A change in the provisions of a current capital lease that results from a current or advance refunding by the lessor who passes through the effect to the lessee (and the lease continues to qualify as a capital lease) which increases the lessee's lease obligation [GASB-S65:7]
- The resources that providers transmit to recipients before time requirements are met, but after all other eligibility requirements have been met [GASB-S65:10]
- The amount paid by the transferee government to the transferor government in an intra-entity sale of future revenues [GASB-S65:13]

- The loss on the sale of property that is accompanied by a leaseback of all or any part of the property for all or part of its remaining economic life [GASB-S65:18]
- Consideration provided in excess of the net position obtained by the acquiring government in a government acquisition [GASB-S69:39]

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

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

- The fair value of effective hedges that are in a positive gain (i.e., the cumulative amount of the fair value changes of the effective hedge is a credit) [GASB-S53: 20]
- In a service concession arrangement (SCA) the amount a transferor reports for the difference between the fair value of a new facility purchased or constructed by the operator or the improvement of an existing facility by the operator and any contractual liabilities that the transferor reports under the SCA. [GASB-S60: 9]
- In a service concession arrangement (SCA) the amount a transferor reports for the difference between up-front or installment payments from the operator and any contractual liabilities that the transferor reports under the SCA. [GASB-S60: 12]
- For current refundings and advance refundings resulting in defeasance of debt the excess of the reacquisition price of the old debt over its net carrying amount [GASB-S65:5-6]
- A change in the provisions of a current capital lease that results from a current or advance refunding by the lessor who passes through the effect to the lessee (and the lease continues to qualify as a capital lease) which increases the lessee's lease obligation [GASB-S65:7]
- The resources that providers transmit to recipients before time requirements are met, but after all other eligibility requirements have been met [GASB-S65:10]
- The amount paid by the transferee government to the transferor government in an intra-entity sale of future revenues [GASB-S65:12]
- The loss on the sale of property that is accompanied by a leaseback of all or any part of the property for all or part of its remaining economic life [GASB-S65:18]

5.7* Has the school district refrained from making direct adjustments to equity except in those situations specifically contemplated by GAAP? [SLG 10.03; GAAFR, pages 115-116]

Explanation: Government-wide and fund financial statements must be presented using an *all-inclusive format*. That is, *all* changes to equity normally should be reported as part of the results of operations for the current period rather than treated as a direct adjustment to equity. There are three exceptions to this general rule: prior-period adjustments, changes in accounting principle, and changes in inventory balances accounted for using the purchases method. (The latter is applicable only to governmental fund financial statements.)

5.8* Do financial statements within each category (i.e., government-wide, governmental funds, proprietary funds, and fiduciary funds) articulate with one another? (For example, 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?)

5.9 Has the school district reported transfers of capital assets or financial assets within the financial reporting entity at their carrying value at the time of the transfer? [GASB-S48: 15]

FINANCIAL SECTION—GOVERNMENT-WIDE FINANCIAL STATEMENTS

GENERAL CONSIDERATIONS

6.2a* Is the total column for the primary government in the government-wide financial statements consolidated? [GASB-S34: 57-60; GAAFR, page 299]

Explanation: The consolidated total column for the primary government presented in the government-wide statement of net position should include neither internal receivables nor internal payables, 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.

6.3* 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, pages 82 and 299-300]

6.3a* Has the school district refrained from reporting within this (these) column(s) component units that meet the criteria for reporting as a blended component unit? [GASB-S61: 8, GAAFR, page 80-81]

Explanation: See question 7.5 for the circumstances when it is appropriate to report a component unit using the blending method.

6.4* Has the school district refrained from including either fiduciary funds or fiduciary-type component units in the government-wide financial statements? [GASB-S34: 12b; GAAFR, pages 62-63 and 295]

GOVERNMENT-WIDE STATEMENT OF NET POSITION

6.7* Does each column in the government-wide statement of net position include capital assets (including infrastructure assets and intangible assets) used to support those activities? [GASB-S34: 12e, 19; GAAFR, page 300 and 442-444]

Explanation: The government-wide statement of net position should report capital assets that are *not* being depreciated (e.g., land, construction-in-progress, or infrastructure assets reported using the modified approach) separately from depreciable capital assets, if significant.

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

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

6.7a Has the school district appropriately capitalized its internally generated intangible assets? [GASB-S51: 7-8]

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

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

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

6.7a1 In the case of internally generated computer software, has the school district only capitalized outlays related to the application development stage? [GASBS-51: 9-15]

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

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

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

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

PLEASE NOTE: Questions 6.8 and 6.9 address the reporting of certain assets and liabilities before the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. For those governments that have implemented GASB Statement No. 68 and GASB Statement No. 71 for pension plans that are *administered through a trust or equivalent arrangement* please refer to the *Checklist Supplement* following section 19 of this checklist for revised and new questions that address the reporting for these items in accordance with the requirements of these recent pronouncements.

- 6.8 Does the *governmental activities column* include an asset for the negative net pension obligation/negative net other postemployment benefit obligation, if applicable? [GASB-S27: 17; GASB-S 45: 21; GAAFR, page 400]
- 6.9* Does the *governmental activities column* include debt and all other long-term liabilities (e.g., compensated absences, claims and judgments, net pension obligation/net other postemployment benefit obligation, pollution remediation liabilities nonexchange financial guarantees as the entity extending the guarantee) incurred in connection with those activities? [GASB-S34: 12e; GASB-S49: 9-10; GASB-S70:7-9; GAAFR, page 270]
- 6.9a If the entity that extended a financial guarantee actually made payments on the issuing school district’s obligations (e.g., bonds, notes, loans) and the issuer is required to repay the guarantor, does the issuer continue to report the liability and classify it as an obligation to the guarantor (rather than classifying it based on the type of the original obligation) until that portion of the liability is legally released? [GASB-S70:11]
- 6.9b Has the issuer of an obligation refrained from recognizing a reduction of an obligation that has received a nonexchange financial guarantee and a corresponding amount of revenue for the reduction except in cases where the issuer has been released from the obligation and from any liability to the guarantor? [GASB-S70:12]
- 6.11a* Is the net investment in capital assets, correctly calculated? [GASB-S34: 33; GAAFR, pages 300-303]

Explanation: The school district should calculate the net investment in capital assets, using the following general formula:

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

- 6.11a1* Has the school district refrained from including financial assets, including interfund loans, in the calculation of the net investment in capital assets? [GASB-S34: 33; Q&A 7.23.11; GAAFR, page 301]
- 6.11a2* Has the school district refrained from including noncapital accrued liabilities (e.g., compensated absences, claims and judgments, landfill closure and postclosure costs) in the calculation of the net investment in capital assets? [GASB-S34: 33; GAAFR, page 300]
- 6.11a3* Has the school district refrained from including unspent proceeds from debt in the calculation of the net investment in capital assets? [GASB-S34: 33; Q&A 7.23.2; GAAFR, page 300-301]

6.11a4* Has the school district refrained from including debt that was used to provide capital assets to another government (or a discretely presented component unit) in the calculation of the net investment in capital assets? [Q&A 7.23.10; GAAFR, page 301 and 303]

6.11a5* Has the school district refrained from including debt to be repaid by governmental activities when the proceeds were used to acquire capital assets that the business-type activities report, and vice versa? [GAAFR, pages 302-303]

Explanation: This debt may be considered capital-related debt in the total primary government column, if presented. In that case, the school district could include a footnote to explain the nature of the reclassification.

6.11a6* Has the school district refrained from including interest payable and the accrued interest on deep discount debt in the calculation of the net investment in capital assets? [Q&A 7.22.9]

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

6.11a7* Has the school district included debt that refunded capital-related debt in the calculation of the net investment in capital assets? [Q&A 7.23.6]

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

6.11b Are only amounts with externally imposed restrictions (e.g., through debt covenants or by grantors) or restrictions imposed by law through constitutional provisions or enabling legislation included in the calculation of restricted net position? [GASB-S34: 34; Q&A 7.24.1; GAAFR, page 304]

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

6.11c* Is unrestricted net position correctly calculated?

6.11c1 Does the calculation of unrestricted net position include the net position related to joint ventures? [Q&A 7.25.1; GAAFR, page 305]

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

6.13* Is information on expenses for *governmental activities* presented at least at the *functional level* of detail? [GASB-S34: 39; GAAFR, pages 306-307]

Explanation: Except for interest and unallocated depreciation, expenses related to governmental activities should be classified by function rather than by object of expenditure (e.g. intergovernmental, employee benefits, capital outlay). More detail in addition to functional expenses may be provided.

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

Explanation: An identifiable activity has a specific revenue stream and related expenses and gains and losses that are accounted for separately. Whether an activity is different is generally based on the goods or services it provides. For example, utilities supplying water are different from those providing electricity even though both could be regarded, in a broader context, as utility services. All expenses should be reported within the expenses of an identifiable activity (i.e., interest expense or intergovernmental expenses should not be separately reported).

FINANCIAL SECTION – FUND FINANCIAL STATEMENTS

GENERAL CONSIDERATIONS

- 7.5* Does the school district refrain from blending component units that do not meet at least one of the following circumstances: 1) The component unit's governing body is substantively the same as the governing body of the primary government **and** there is either a financial benefit or burden relationship between the primary government and the component unit **OR** 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 even though it does not provide services directly to it 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]

Explanation: In the case of option 1 described in the above question, "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. In other words, the primary government is, essentially, serving as the governing body of the component unit. An example of a situation that qualifies for blending under option 2 in the above question is a building authority created to finance the construction of office buildings for the school district. Further, a component unit that provides services to more than just the primary government should also be blended if the services provided to others are insignificant to the overall activities of the component unit. Other component units that should be blended are those that exclusively, or almost exclusively, benefit the primary government by providing services indirectly; for example, a component unit that provides services on behalf of the primary government to its employees rather than directly to the primary government itself.

- 7.6 Has the school district 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, page 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.

FINANCIAL SECTION – GOVERNMENTAL FUND FINANCIAL STATEMENTS

GENERAL CONSIDERATIONS

- 8.2* 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]

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., investment earnings and 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 school district 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 special revenue fund. In such cases the school district 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.

- 8.3 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]
- 8.4 Does the school district refrain from using a special revenue fund to account for resources held in trust for individuals, private organizations, or other school districts? [GASB-S54: 30]
- 8.5 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 school districts? [GASB-S54: 33]
- 8.6 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]

Explanation: It is necessary to use debt service funds when they are legally mandated or when they account for and report financial resources that are being accumulated for principal and interest maturing in future years.

- 8.7 If reported, are permanent funds used exclusively to report resources available to support the school district's programs, but that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting school district's programs, that is for the benefit of the school district or its citizenry? [GASB-S54: 35[GAAFR, page 43]]

Explanation: Permanent funds should not include private-purpose trust arrangements that require the school district to use the principal or earnings for the benefit of individuals, private organizations, or other school district but not through the reporting school district's programs.

- 8.8* Is each major governmental fund reported in a separate column? [GASB-S34: 75-6; GAAFR, page 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. Required major funds should be identified each year. However, even governmental funds that do *not* meet these criteria may be reported *voluntarily* as major funds

- 8.10a* Is a summary reconciliation provided that ties this total column and the related amount reported for *governmental activities* in the government-wide financial statements? [GASB-S34: 77, 85; GAAFR, pages 193-194]

BALANCE SHEET – GOVERNMENTAL FUNDS

- 8.11* Has the school district refrained from reporting nonfinancial assets (e.g., capital assets used in operations rather than held for resale, intangibles, a negative net pension obligation, a negative net other postemployment benefit obligation)? [GASB-S34: 83; GAAFR, pages 170, 173-174, and 176]
- 8.12* Has the school district refrained from reporting unmatured debt and accrued interest payable as liabilities (except in debt service funds employing the "early recognition" option for debt service payments due early in the subsequent year)? [GASB-S34: 83; GAAFR, pages 144-146 and 174]

Explanation: School districts have the *option* of recognizing liabilities in the current period for principal and interest payments due early in the subsequent period in certain circumstances involving debt service funds.

- 8.15b 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]

Explanation: Typically items such as inventories, prepaid items, long-term loans receivable, long-term notes receivable, and property acquired for resale are included in this category. However, if the use of the proceeds from the collection of the long-term loans, long-term notes receivable, and property acquired for resale is restricted, committed, or assigned, then they 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.

8.15c 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 school districts or (b) imposed by law through constitutional provisions or enabling legislation? [GASB-S54: 8]

Explanation: Enabling legislation authorizes the school district 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 school district can be compelled by an external party to use resources created by enabling legislation only for the purposes specified by the legislation

8.15d 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 school district's *highest level of decision-making authority*? [GASB-S54: 10]

8.15e If reported, does the **assigned** fund balance classification only include amounts that are constrained by the school district's *intent* to be used for specific purposes, but are neither restricted nor committed? [GASB-S54: 13]

Explanation: In these cases the school district'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 school district'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]

8.15e1 Does the school district 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]

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]

8.15f Does the school district refrain from reporting a positive unassigned fund balance in any individual special revenue, debt service, capital projects, or permanent fund? [GASB-S54: 17]

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]

8.15g 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]

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]

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES – GOVERNMENTAL FUNDS

8.18 Is the school district’s recognition of revenues consistent with both GAAP and its policy on availability as disclosed in the SSAP?

8.22 If the school district has initiated a capital lease during the period, does it report an other financing source equal to the net present value of the minimum lease payments? [NCGA-S5: 14; GAAFR, pages 158-159]

Explanation: This same treatment would also be appropriate for installment contracts other than capital leases associated with the acquisition of capital assets.

8.23* If the school district has issued debt during the period that will be repaid with general government resources, does the school district report an other financing source equal to the face value of the debt? [GASB-S34: 88; GAAFR, pages 156-157 and 162]

Explanation: The issuance of debt to be supported by governmental funds must be reflected as an *other financing source* even if the proceeds of the debt are delivered directly to an outside party (i.e., debt-financed grants) or to a proprietary fund (i.e., debt-financed capital contributions).

8.23a Has the school district reported a separate other financing source for premiums related to its debt issuances? [GASB-S34: 88; Q&A 7.66.1; GAAFR, page 157]

8.23b Has the school district reported a separate other financing use for discounts related to its debt issuances? [GASB-S34: 88; Q&A 7.66.1; GAAFR, pages 156-157]

8.26* Has the school district refrained from reporting an other financing source in connection with long-term borrowings within the primary government? [GASB-S34: 112a(1); GAAFR, page 157]

Explanation: An other financing source should be reported in connection with 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.

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

8.28* If the school district has not presented required budgetary comparisons for the general fund and annually budgeted major special revenue funds as RSI, are these comparisons presented as basic governmental fund financial statements? [GASB-S34: 130, note 53; GAAFR, pages 196-197] If so:

Explanation: School districts generally have the option of presenting required budgetary comparisons either as a basic governmental fund financial statement or as RSI. However, budgets that exhibit significant perspective differences must always be presented as RSI. GFOA has issued a recommended practice that encourages school districts to present required budgetary comparisons as a basic governmental fund financial statement whenever possible.

8.28c* Has the school district 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? [GAAFR, pages 196-197]

8.28d* Does the budgetary statement present the original budget? [GASB-S34: 130a; GAAFR, pages 197-198]

Explanation: GAAP define the *original budget* as “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.

8.28f* Does the budgetary statement present actual data using the budgetary basis of accounting? [GASB-S34: 130; GAAFR, pages 197-198]

FINANCIAL SECTION – PROPRIETARY FUND FINANCIAL STATEMENTS

GENERAL CONSIDERATIONS

- 9.1* Has the school district included only proprietary fund types (i.e., enterprise funds and internal service funds)? [GAAFR, pages 44-45]
- 9.2* Is each major enterprise fund reported in a separate column? [GASB-S34: 96 GAAFR, pages 230-231]
- 9.4a* If necessary, is a summary reconciliation provided that ties this total column and the related amount reported for *business-type activities* in the government-wide financial statements? [GASB-S34: 104; GAAFR, page 234]

Explanation: The reconciliation between the statement of revenues, expenses, and changes in net position and the government-wide statement of activities should reconcile the changes in net position, not the total net position.

- 9.6 Has the school district refrained from using enterprise funds to report activities for which fees and charges are *not* a revenue source (with the exception of activities previously accounted for in accordance with SGAS 29)? [GASB-S34: 67 and 147; GAAFR, pages 44-45]
- 9.7 Has the school district refrained from using an internal service fund to report activities in which the school district itself is not the predominant participant? [GASB-S34: 68; GAAFR, pages 45 and 223-224]

STATEMENT OF FUND NET POSITION/BALANCE SHEET– PROPRIETARY FUNDS

- 9.9 Do proprietary funds report all debt that they are expected to repay from their own resources, even if the debt is general obligation in character? [NCGA-S1: 42; GAAFR, pages 479-480]

Explanation: If debt expected to be repaid from proprietary fund resources is general obligation in character, that fact should be disclosed in the notes to the financial statements.

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

Explanation: The school district should calculate the net investment in capital assets, using the following general formula:

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

- 9.10a1* Has the school district refrained from including financial assets, including interfund loans, in the calculation of the net investment in capital assets? [GASB-S34: 33; Q&A 7.23.11; GAAFR, page 301]
- 9.10a2* Has the school district refrained from including noncapital accrued liabilities (e.g., compensated absences, claims and judgments, landfill closure and postclosure costs) in the calculation of the net investment in capital assets? [GASB-S34: 33; GAAFR, page 300]
- 9.10a3* Has the school district refrained from including unspent proceeds from debt in the calculation of the net investment in capital assets? [GASB-S34: 33; Q&A 7.23.2; GAAFR, pages 300-301]
- 9.10a4* Has the school district refrained from including interest payable and the accrued interest on deep discount debt in the calculation of the net investment in capital assets? [Q&A 7.22.9]

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

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

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

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

9.10b Are only amounts with externally imposed restrictions (e.g., through debt covenants or by grantors) or restrictions imposed by law through constitutional provisions or enabling legislation included in the calculation of restricted net position? [GASB-S34: 34; Q&A 7.24.1; GAAFR, pages 303-305]

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

9.10c* Is unrestricted net position correctly calculated?

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

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

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

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

9.15b Has the school district refrained from including receipts and payments of interest as *cash flows from operating activities* (except in the case of program loans)? [GASB-S9: 58; GAAFR, pages 189-90]

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

9.15c Has the school district 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, page 189]

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

9.15d Has the school district refrained from reporting disbursements for the acquisition of fund capital assets as *cash flows from investing activities*? [GASB-S9: 57a; GAAFR, page 190]

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

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

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

FINANCIAL SECTION–FIDUCIARY FUND FINANCIAL STATEMENTS

GENERAL CONSIDERATIONS

10.1* Has the school district 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, pages 46-49 and 261]

10.2* Are all funds of a given fund type reported in a single column? [GASB-S34: 106; GAAFR, page 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.

10.3* Has the school district refrained from using a fiduciary fund to report resources that are available to support the school district's programs? [GASB-S34: 69; GAAFR, pages 46 and 254]

Explanation: In practice, school districts commonly use private-purpose trust funds to account for *privately funded* scholarship programs. [GAAFR, page 683]

It is entirely possible that related activities may be reported differently. Thus, resources raised for band uniforms may be reported in a special revenue fund (as part of the music education program), while resources raised for a band field trip may be reported in an agency fund (funds raised and owned by the students participating in the trip).

S10.1 Has the school district refrained from reporting student activity funds that support instructional activities in a fiduciary fund? [GASB-S34: 69; GAAFR, page 682]

S10.2 Has the school district refrained from reporting student activity funds that are included in the school district's budget in a fiduciary fund? [GASB-S34: 69; GAAFR, page 682]

S10.3 Has the school district refrained from reporting student activity funds for which the school's administration has a high degree of management involvement in an agency fund? [GASB-S34: 69; GAAFR, page 683]

10.4* If the school district 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, pages 46 and 254]

FINANCIAL SECTION – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (SSAP)

11.3 Does the SSAP discuss the financial reporting entity? [GASB-S14: 20-37 and 61; GASB-S61: 11a GAAFR, pages 324-325] If so, does that discussion include:

11.3b A description of the relationship between component units and the primary government? [GAAFR, pages 324-326]

11.3c A discussion of the rationale for including each component unit in the financial reporting entity? [GAAFR, pages 324-326]

Explanation: Charter schools typically do *not* meet the criteria for inclusion as component units of a school district because there normally is neither board appointment nor fiscal dependence. [GAAFR, page 679]

- 11.4+ If the school district itself is a component unit, does the SSAP identify the primary government and describe the nature of the relationship? [GASB-S14: 65; GAAFR, page 325]
- 11.20 If the school district reports a portion of fund balance as committed, do the notes disclose (1) the school district's highest level of decision-making authority and (2) the formal action that is required to be taken to establish, modify or rescind a fund balance commitment? [GASB-S54: 23a, GAAFR, page 333]
- 11.21 If the school district reports a portion of fund balance as assigned, do the notes disclose (1) the body or official authorized to assign amounts to a specific purpose and (2) the policy established by the governing body pursuant to which that authorization is given? [GASB-S54: 23b, GAAFR, page 333]

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

- 12.3 Do the notes disclose the school district's policy for custodial credit risk associated with deposits or indicate that it does not have such a policy? [GASB-S40: 6; GAAFR, page 350]
- 12.6 Has the school district refrained from providing custodial credit risk disclosures for any investments that are not subject to custodial credit risk because they are *not* evidenced by securities? [GASB-S40: 9; GAAFR, pages 355-356]

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

- 12.7 Do the notes disclose the credit ratings (or explain that credit ratings are not available) for investments in debt securities (other than debt issued by or explicitly guaranteed by the U.S. government), as well as for positions in external investment pools, money market funds, bond mutual funds, and other pooled investments of fixed-income securities? [GASB-S40: 7; GAAFR, pages 353-354]
- 12.7a Do the notes use one of five approved methods (i.e., segmented time distribution, specific identification, weighted average maturity, duration, or simulation model) to disclose interest rate risk for positions in fixed-rate debt securities? [GASB-S40: 14-15; GASB-S 59: 6; GAAFR, pages 359-360]

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

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

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

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

- 12.9a If a violation is significant, do the notes identify actions that the school district has taken to address the violation? [GASB-S38: 9; GAAFR, page 347]
- 12.19b Do the notes disclose the purpose of interfund balances? [GASB-S38: 14b; GAAFR, page 381]
- 12.19d Do the notes disclose the principal purposes of interfund transfers? [GASB-S38: 15b; GAAFR, page 384]
- 12.21c If the school district participates in a risk pool, do the notes describe the arrangement? [GASB-S10: 77c; GAAFR, page 373]
- 12.21c1 Do the notes specifically address the rights and responsibilities of both the school district and the pool? [GASB-S10: 77c; GAAFR, page 373]
- 12.21d If the school district retains some risk of loss, do the notes mention this fact? [GASB-S10: 77d; GAAFR, page 372] If so:
- 12.21d1 Do the notes describe what the liability for unpaid claims represents and how it is calculated? [GASB-S30: 10; GAAFR, page 373]
- 12.21d1a Do the notes mention whether nonincremental claims adjustment expenses have been included as part of the liability for claims and judgments? [GASB-S30: 10; GAAFR, page 373]
- 12.25a Has the school district provided a schedule of changes in short-term debt (i.e., beginning of period balance, increases, decreases, end of period balance)? [GASB-S38: 12a; GAAFR, page 374]
- 12.25b Has the school district provided an explanation of the purpose for which the debt was issued? [GASB-S38: 12b; GAAFR, page 374]
- 12.26 If the school district participates in a joint venture, do the notes disclose this fact? [GASB-S14: 75; GAAFR, page 387] If so:
- 12.26a Do the notes describe the nature of any ongoing financial interest or responsibility resulting from participation in the joint venture? [GASB-S14: 75a(1); GAAFR, page 387]
- 12.27 If the school district undertook a refunding during the period that either defeased or redeemed the refunded debt, do the notes disclose this fact? [GASB-S7: 11-14; GAAFR, page 377]
- 12.27b Do the notes disclose the aggregate difference in debt service between the refunding debt and the refunded debt? [GASB-S7: 11; GAAFR, page 377]
- 12.27c Do the notes disclose the economic gain or loss on the transaction? [GASB-S7: 11; GAAFR, page 377]
- 12.28 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, page 380]

Explanation: The school district 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 school district 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.

- 12.28a 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, page 380]

- 12.28b If a school district 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: 26GAAFR, page 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]

- 12.29 If the governing body has formally adopted a minimum fund balance policy, do the notes describe the policy established by the school district that sets forth the minimum amount? [GASB-S54: 27, GAAFR, page 380]

- 12.32 If the school district has demand bonds outstanding at the end of the fiscal period, do the notes provide all of the disclosures required by GAAP? [GASB-I1: 11; GAAFR, page 378]

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

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

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

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

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

Explanation: When financial statements for only a single period are presented, the disclosure should indicate the effects of such restatement on the balance of net position at the beginning of the period and on the change in net position of the immediately preceding period. When financial statements for more than one period are presented, the disclosure should include the effects for each of the periods included in the statements.

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

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

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

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

- 12.39d Do they disclose the relationship of the pledged amount to the total for that specific revenue (e.g., the proportion of the specific revenue stream that has been pledged), if determinable? [GAAFR, page 376]
- 12.39e Do they include a comparison of the pledged revenues recognized during the period to the principal and interest requirements for the debt directly or indirectly collateralized by those revenues? [GAAFR, page 377]
- 12.44 Has the school district issued obligations currently or in the past that have been guaranteed by another entity as part of a nonexchange transaction? [GASB-S70: 16-17; eGAAFR, pages 916 and 939-40; eSUP, pages 13 and 35-6] If so:
- 12.44a Do the notes provide disclosures, by type of guarantee, for such guarantees that relate to obligations outstanding at the reporting date? Do they include:
- 12.44a1 The name of the entity providing the guarantee
- 12.44a2 The amount of the guarantee
- 12.44a3 The length of time of the guarantee
- 12.44b If payments were made either, during the reporting period or in previous periods, by the guarantor are disclosures made regardless of whether or not the school district has any such guaranteed obligations outstanding at the end of the reporting period? If so, do they include:
- 12.44b1 The amount paid by the guarantor during the current reporting period
- 12.44b2 The cumulative amount paid by the guarantor on the school district's obligations
- 12.44b3 A description of requirements to repay the guarantor
- 12.44b4 The outstanding amounts, if any, required to be repaid to the guarantor

[SECTION 13, INANCIAL SECTION–PENSION AND OTHER POSTEMPLOYMENT BENEFIT-RELATED NOTE DISCLOSURES, HAS BEEN OMITTED FROM THESE GUIDELINES

FINANCIAL SECTION – RSI

- 14.2* If the school district does not present budgetary comparisons as basic governmental fund financial statements, does the RSI present these comparisons? [GASB-S34: 130, note 53; GAAFR, page 578]
- 14.2a Is the budgetary comparison titled a *schedule* rather than a *statement*? [GASB-S34: 130, note 53; GAAFR, page 578]
- 14.2b* Does the schedule include a separate column for the general fund and each annually budgeted major special revenue fund (or if there is a significant perspective difference, a column or columns consistent with the fund, organization, or program structure that the school district uses for its legally adopted budget)? [GASB-S34: 130; GASB-S41: 3; GAAFR, page 578]

Explanation: If perspective differences between the basis of budgeting and GAAP are so significant that it is impossible to present meaningful budgetary comparisons based on the fund structure used for GAAP reporting, then the budgetary comparison schedule should be based on the fund, organization, or program structure that the school district uses for its legally adopted budget. Generally, the school district should present such budgetary comparison schedules for the activities that it reports in the general fund and major special revenue funds.

14.2c* Has the school district 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? [GAAFR, page 578]

14.2d* Does the budgetary schedule present the original budget? [GASB-S34: 130; GAAFR, page 578]

Explanation: GAAP define *original budget* as “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 the 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.

14.2f* Does the budgetary schedule present actual data using the basis of budgeting? [GASB-S34: 130; GAAFR, page 579]

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

Explanation: States may sometimes require school districts to provide information not normally required in a CAFR (for example, supplementary information to gather certain information or demonstrate legal compliance). That additional information should be presented as *other supplementary information* at the end of the relevant subsection (e.g., governmental funds) of the financial section of the CAFR (after any required supplementary information that follows the notes to the financial statements or immediately after the notes if no required supplementary information is presented). Such information should not be presented as required supplementary information [GAAFR, page 684].

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

15.2* Does the financial section include combining statements for individual discretely presented component units that are *not* reported as either 1) a separate column in the government-wide financial statements or 2) a separate column in a component unit combining statement included within the basic financial statements? [GAAFR, pages 596-599]

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.

15.2a Do the combining statements provide information on each individual component unit included?

15.9*+ If the budgetary comparisons included within the basic financial statements or RSI 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, page 599]

Explanation: The *legal level of budgetary control* is the lowest level at which a school district'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 comprehensive annual financial report (CAFR) itself. In such cases, a separate budgetary report may be issued to demonstrate compliance at the legal level of budgetary control, provided the CAFR 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 CAFR 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).

15.10*+ Does the governmental fund subsection of the financial section provide budgetary comparison schedules that demonstrate compliance at the legal level of budgetary control for all other governmental funds with legally adopted annual budgets? [NCGA-S1: 9c; NCGA-I10: 14; GAAFR, page 599]

Explanation: See explanation for 15.9.

15.11* Do all budgetary schedules present information using the budgetary basis of accounting? [GAAFR, page 609, note 4]

[SECTIONS 16 AND 17 HAVE BEEN OMITTED FROM THESE GUIDELINES BECAUSE THEY ARE ONLY APPLICABLE TO POSTEMPLOYMENT BENEFIT SYSTEMS]

STATISTICAL SECTION

18.1d2b Is a ratio of total debt service expenditures to noncapital expenditures presented?

Explanation: The amount of noncapital expenditures of governmental funds excludes the expenditures that are reported as capital assets on the accrual basis (i.e., in the government-wide financial statements). The total amount of noncapital expenditures excludes not only those amounts that are reported in governmental funds as a separate capital outlay line item, but also the amounts that are included within functional expenditure categories. Conversely, “capital outlay” for items that do not meet the capitalization threshold should be included as noncapital expenditures.

18.1e Does the statistical section present information for the major components of the revenue base of the school district’s most significant source of own-source revenue? [GASB-S44: 14-15; Q&A 9.12.4, 9.13.4, 9.13.7, and 9.15.3; GAAFR, pages 620-623]

Explanation: At a minimum, the school district must present information for its most significant own-source revenue. The largest own-source revenue could be a tax in the governmental activities or a charge for service in the business-type activities if the revenues in the business-type activities provide a subsidy for general governmental activities. If a school district has a second own-source revenue that is nearly as significant as the first, it should also consider presenting revenue capacity information for that second revenue source. For example, if a city is funded nearly equally by property taxes and sales taxes, it should consider presenting information for both own-source revenues rather than just the one judged to be most significant.

18.1r Does the statistical section include appropriate analytical and educational explanations? [GASB-S44: 42; Q&A 9.47.1; GAAFR, page 634]

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

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

OTHER CONSIDERATIONS

19.1 Is the report free of inconsistencies? (If not, please specify.)

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

CHECKLIST SUPPLEMENT

ISSUED BUT NOT YET EFFECTIVE GASB PRONOUNCEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

5.2b1a Contributions made *after the measurement date* of the net pension liability/collective net pension liability, *but before the end* of the employer's or governmental nonemployer contributing entity's reporting period [GASB-S68: 34, 57, 89, and 106]

5.2b1b For the period that GASB Statement No. 68 is adopted, contributions made *after the measurement date* of the beginning of the year liability balance for the net pension liability/collective pension liability but *before the start* of the employer's or governmental nonemployer contributing entity's reporting period [GASB-S71:2-3]

5.2b2 Is the school district an *employer* for a single-employer or agent multiple-employer pension plan *administered through a trust or equivalent arrangement* that does not have a special funding situation? If so, deferred outflow of resources should include all of the following items (if applicable):

5.2b2a Amounts not yet recognized in pension expense that have a debit balance and represent the differences between expected and actual experience for economic and demographic assumptions (e.g., inflation, salary changes, ad hoc postemployment benefit changes, mortality) used to measure the net pension liability [GASB-S68:33a1]

5.2b2b Amounts not yet recognized in pension expense that have a debit balance and represent changes of assumptions about future economic or demographic assumptions (e.g., inflation, salary changes, ad hoc postemployment benefit changes, mortality) or other inputs [GASB-S68:33a2]

5.2b2c Amounts not yet recognized in pension expense that represent the differences between projected and actual earnings on pension plan investments when the net of all such amounts is a debit balance [GASB-S68:33b]

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

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

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

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

5.2b3b Amounts not yet recognized in pension expense that have a debit balance and represent changes of assumptions about future economic or demographic assumptions (e.g., inflation, salary changes, ad hoc postemployment benefit changes, mortality) or other inputs [GASB-S68:53, 71a2, 85, and 102]

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

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

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

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

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

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

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

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

- The fair value of effective hedges that are in a gain position (i.e., the cumulative amount of the fair value changes of the effective hedge is a credit) [GASB-S53:20]
- In a service concession arrangement (SCA) the amount a transferor reports for the difference between the fair value of a new facility purchased or constructed by the operator or the improvement of an existing facility by the operator and any contractual liabilities that the transferor reports under the SCA. [GASB-S60:9]
- In a SCA the amount a transferor reports for the difference between up-front or installment payments from the operator and any contractual liabilities that the transferor reports under the SCA. [GASB-S60:12]
- For current refundings and advance refundings resulting in defeasance of debt the excess of the carrying value of the old debt over its reacquisition price [GASB-S65:5-6]
- A change in the provisions of a current capital lease that results from a current or advance refunding by the lessor who passes through the effect to the lessee (and the lease continues to qualify as a capital lease) which decreases the lessee's lease obligation [GASB-S65:7]
- The resources that recipients receive from providers before time requirements are met, but after all other eligibility requirements have been met [GASB-S65:10]
- The amount received by the transferor government in an intra-entity sale of future revenues [GASB-S65:12]
- The gain on the sale of property that is accompanied by a leaseback of all or any part of the property for all or part of its remaining economic life [GASB-S65:18]

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5.2d3e Amounts not yet recognized in pension expense that have a credit balance and represent the difference during the measurement period between (a) the total amount of such

contributions from the employer (and amounts associated with the employer from nonemployer contributing entities that are not in a special funding situation) and (b) the amount of the employer's proportionate share of the total of such contributions from all employers and all nonemployer contributing entities [GASB-S68: 55, 87, and 104]

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

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

- 6.8 Does the *governmental activities column* include an asset for the negative net pension obligation/negative net other postemployment benefit obligation and net pension asset/collective net pension asset (school district's proportionate share), if applicable? [GASB-S27:17; GASB-S 45:21; GASB-S68:20, 48, 83, 92, and 97; GAAFR, page 400]
- 6.9* Does the *governmental activities column* include debt and all other long-term liabilities (e.g., compensated absences, claims and judgments, net pension obligation/net other postemployment benefit obligation, net pension liability/collective net pension liability (school district's proportionate share), pollution remediation liabilities, nonexchange financial guarantees as the entity extending the guarantee) incurred in connection with those activities? [GASB-S34:12e; GASB-S49:9-10; GASB-S68:20, 48, 83, 92, and 97; GASBS-70: 7-9; GAAFR, page 270]

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

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

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

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

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

- 6.9c2 Has the school district separately reported liabilities for amounts of either, a short-term or long-term nature, that are separately financed specific liabilities of an individual employer or individual

governmental nonemployer contributing entity to the pension plan rather than including them in the total for a NPO, NOPEBO, or NPL? [GASB-s27:11 and 17; GASB-S45: 21; GASB-S68: 48a, 88, 105, and 120]

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