

**Financial Reporting Checklist for North Carolina Local Governments**  
 Including North Carolina Counties, Municipalities,  
 Boards of Education, Charter Schools,  
 Public Housing Authorities, and Public Hospitals

The checklist below is provided as a supplement to other audit programs and checklists that already address compliance with generally accepted accounting principles or federal programs. This checklist addresses issues within the context of the North Carolina Local Government Budget and Fiscal Control Act (LGBFCA), that are *specific* to local government audits in North Carolina and the presentation of the audited financial statements. Also, many of the following items will be used in compiling comparative statistical data reports, which will be published statewide in the spring, following the receipt of the audits. Other audit procedures are included based upon prior years' audit reviews results. Many of the steps and procedures below are interrelated and may be done in conjunction with other audit procedures. Please see **Section 25** of this manual for an audit program focusing on the auditee's compliance with the LGBFCA and internal control environment. *Please read the suggested procedures before beginning the audit work.* Note that the LGBFCA is applicable to all units of local government and public authorities in North Carolina. References to "the unit" or "the local government" are not meant to, and do not, exclude public authorities, or auditors of public authorities, from using the following suggested audit procedures, as appropriate. This checklist is not intended to be all-inclusive; professional judgment should be used in determining the extent of tests and the use of procedures not included herein. A full understanding of the LGBFCA is essential to a thorough audit of a local government or public authority in North Carolina. A copy of the LGBFCA may be ordered from the Institute of Government. The General Statutes of North Carolina are also available on the web site of the North Carolina General Assembly, [NCGA General Statutes - Chapter 159](#). The auditor should use professional judgment if any results of these checklist items suggest that a statutory violation has occurred. The auditor should consult with the unit's legal representative to determine if a violation of North Carolina law has actually occurred.

Some terminology has been revised for GASB Statement 34. Users should still consider whether the suggested procedure is of benefit, even if the pre-GASB 34 reporting model is being used.

<b>County Checklist</b>			
	<i>Suggested Procedure / Checklist item</i>	<i>Performed By or NA</i>	<i>Workpaper Reference</i>
	<b><i>Exhibits</i></b>		
	Verify that no negative cash is shown in any fund. If a unit pools cash into one bank account and one fund is in a deficit cash position, a "due to" amount should be recorded in the appropriate fund and a "due from" should be recorded in the fund that is supporting the deficit fund. If a specific bank account is overdrawn, a bank overdraft liability should be shown rather than a negative cash balance. <i>AAG-SLG 7.14</i>		
	Verify that the fund balance available for appropriation is calculated correctly. See G.S. 159-8(a) for further information on calculating fund balance available in accordance with NC General Statutes. Also, there is a template for the calculation of fund balance available, found on page 25-15 of the Audit Manual.		
	Verify that the amount reserved by state statute is calculated correctly. Total fund balance less the fund balance available for appropriation equals the total amount that must be reserved. The total amount to be reserved less the reserve for encumbrances, the reserve for prepaid amounts, the reserve for inventories, and any other reserves that are not available to support expenditures in the coming fiscal year (e.g. assets held for resale) equals the amount to be reserved by state statute. G.S. 159-8(a)		

## Financial Statement Presentation Checklist

Suggested Procedure / Checklist Item	Initials	Workpaper
Verify that the total fund balance designated for subsequent year's expenditures and other governing board designations do not exceed the fund balance available for appropriation.		
Verify that non-departmental or miscellaneous expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balance do not exceed 5% of total expenditures.		
If the municipality has budgeted an appropriation for "contingencies," verify that the amount does not exceed 5% of all other appropriations in the same fund. G.S. 159-13(b)(3)		
Verify that the operating transfers between the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds, and the Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds are equal.		
Verify that transfers in and out are shown as separate line items on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds, and the Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds. (If the unit is making contributions to a Pension Trust Fund for the Law Enforcement Officers' Special Separation Allowance, the contribution should be an expenditure of the General Fund, not a transfer.)		
If debt service expenditures are reclassified from other functional areas, verify that the budgeted amounts have been reclassified also.		
Verify that all budgets presented are balanced in accordance with the LGBFCA.		
Verify that any fund balance appropriated as an other financing source is included in the budget presentation as an other financing source.		
<b>Notes</b>		
Verify that deferred revenues from cash receipts are clearly disclosed in the notes to the financial statements.		
Verify that the county has an appropriate pension footnote for the Local Government Employees' Retirement System, the Register of Deeds' Supplemental Pension Fund, and any other pension notes applicable to the county for non-law enforcement employees.		
If the county has full-time, sworn law enforcement officers (LEOs), verify that the pension note disclosures for the LEO Special Separation Allowance and the Supplemental Retirement Income Plan for LEOs are included in the notes.		
If no actuarial study was done for the LEO Separation Allowance, verify that the note disclosures clearly communicate this fact.		
If the required contributions to the Supplemental Retirement Income Plan for LEOs (401K program) have not been made, verify that a statutory violation has been disclosed. <i>Based on individual situations, materiality, and the level of audit done, it is possible that a corrective action plan may be required to be included with the compliance reports.</i>		
If the LEOs participate in the Local Government Employees' Retirement System, verify that the note disclosure for the Death Benefit Trust is included.		
Verify that material violations with legal and contractual provisions, or deficit fund balance/net assets in individual funds are disclosed in the stewardship note. <i>Note that the LGC illustrative statements disclose budget violations separately from other violations. Because GAAP requires disclosures of any spending violations of the legally adopted budget, materiality should not be consideration for this disclosure.</i>		

## Financial Statement Presentation Checklist

Suggested Procedure / Checklist Item	Initials	Workpaper
Verify that if the unit has budgeted a contingency appropriation greater than 5% of the total of all other appropriations for that fund, a statutory violation has been disclosed. G.S. 159-13(b)(3).		
If fund balance appropriated exceeds the statutory limit, even in enterprise funds, verify that this is reported as a statutory violation. G.S. 159-8(a)		
If debt proceeds for a capital project are not in a separate capital project fund (or separately accounted for in an established capital project fund), verify that a statutory violation is disclosed. G.S. 159-26(b)(6)		
If the county has adopted an unbalanced budget, verify that a statutory violation is disclosed in the notes. G.S. 159-8(a)		
For those units with outstanding revenue bonds, verify that any material failures of the unit to comply with reserve levels, coverage ratio requirements or other terms, as specified in the bond documents, are disclosed in the notes to the financial statements as contractual violations.		
Verify that closure and postclosure care amounts for solid waste landfills materially agree with the latest closure and postclosure care costs on record with the Dept. of Environment and Natural Resources (DENR contact, Ms. Courtney Washburn, 919-733-0692).		
For counties with Industrial Revenue Bonds (IRB), verify that there is a note disclosure to indicate the nature of the debt issued by the unit of local government. The note disclosure should include the number of all IRB's outstanding and the amount of debt outstanding. If the amount of debt outstanding is not disclosed, then the original debt issue amount should be disclosed. GASB Interpretation No. 2		
If the county has incurred losses in excess of insurance coverage, verify that this is disclosed in the risk management note.		
Verify that the amount of Public School Building Bond Act monies drawn down by a county are reported on the Schedule of Expenditures of Federal and State Awards and in the notes to the financial statements.		
Verify that the amount of Public School Building Capital Fund monies drawn down by a county are reported on the Schedule of Expenditures of Federal and State Awards and in the notes to the financial statements.		
Verify that uncollected tax revenue is reported as deferred revenue.		
<b><i>Supplementary Schedules and Information</i></b>		
Verify that the statements show the current expense and the capital outlay contributions that the county has made for local education agencies and community colleges.		
Verify that the financial plan for a capital reserve or an internal service fund is presented as if it were a budget. G.S. 159-13.1		
Verify that enterprise funds show budgets on a modified accrual basis and that a reconciliation of the revenues over/(under) expenditures to the full accrual net income amount is included.		
Verify that fines and forfeitures and supplemental school taxes are presented in agency funds.		
Verify that blended component units have budget to actual statements included if they (i) do not issue separate financial statements and (ii) are either a unit of local government or a public authority.		
Verify that a statement/schedule is included for enterprise funds and multi-year governmental funds, showing budget to actual performance at least at the level the budget was adopted (function, department, or project). For major funds (GASB 34), verify that this includes a comparison of the actual performance to both the original and to the final amended budgets		

## Financial Statement Presentation Checklist

Suggested Procedure / Checklist Item	Initials	Workpaper
If <u>material</u> statutory violations, contract violations, or reportable conditions on internal controls are included in a stewardship and compliance note, these items should also appear in the <u>Government Auditing Standards</u> report on compliance and internal control, if Yellow Book auditing standards apply.		
For units with outstanding revenue bonds, review the bond covenants to determine the auditor's responsibility is related to debt service coverage ratios. Is the auditor required to recalculate the coverage ratio and issue an opinion on the unit's compliance with the debt service coverage ratio? <u>Note that revenue bond covenants are not standardized and can vary from bond issue to bond issue.</u> Depending on the bond covenant, the information may be reported in the notes or as required supplemental information.		
If an enterprise fund capital project shows unspent debt proceeds, verify that the unspent proceeds appear as Restricted Assets on the Statement of Fund Net Assets – Proprietary Funds.		
If Grant Income appears in an enterprise fund capital project, verify that the amount is correctly recognized as revenue and not as an increase to contributed capital.		
Grant revenue intended to finance improvements which <u>primarily</u> result in new assets for an enterprise fund (e.g., new water and sewer lines for a water and sewer fund) should be reported in an enterprise fund capital project. The revenue should not be presented in a governmental special revenue fund or capital project fund.		
For units that receive Community Development Block Grant proceeds <u>passed through the NC Dept of Commerce</u> , verify that the grant project is accounted for on a multi-year basis.		
If the unit is funding the LEO Separation Allowance and actuarial information is available, verify that certain actuarial information is included as Required Supplementary Information (RSI). Units planning to participate in the GFOA's Certificate of Achievement for Excellence in Financial Reporting certification program <u>must have an actuarial study performed.</u>		
Verify that the Analysis of Current Tax Levy schedule is included. Once a majority of audits are received, the LGC will issue information including statewide tax collection rates calculated to two decimal places. For consistency with LGC reports, the overall tax collection rate, the collection rate on motor vehicles only and the collection rate for all other property should be shown to <u>two</u> decimal places.		
Verify that the Analysis of Current Tax Levy <u>does not include special districts</u> that are not unit wide, or items that are actually fees (e.g., animal taxes which are actually flat fees).		
Verify that the disclosures of the legal debt margin; the tax base broken down by real property, personal property and public service companies; and the ten largest taxpayers are included for units subject to <u>secondary market disclosure requirements.</u>		

## Financial Statement Presentation Checklist

Suggested Procedure / Checklist Item

Initials

Workpaper

<b>Municipal Checklist</b>			
	<b><i>Exhibits</i></b>		
	Verify that no negative cash is shown in any fund. If a unit pools cash into one bank account and one fund is in a deficit cash position, a “due to” amount should be recorded in the appropriate fund and a “due from” should be recorded in the fund that is supporting the deficit fund. If a specific bank account is overdrawn, a bank overdraft liability should be shown rather than a negative cash balance. <i>AAG-SLG 7.14</i>		
	Verify that the fund balance available for appropriation is calculated correctly. See G.S. 159-8(a) for further information on calculating fund balance available in accordance with NC General Statutes. Also, there is a template for the calculation of fund balance available, found on page 25-15 of the Audit Manual.		
	Verify that the amount reserved by state statute is calculated correctly. Total fund balance less the fund balance available for appropriation equals the total amount that must be reserved. The total amount to be reserved less the reserve for encumbrances, the reserve for prepaid amounts, the reserve for inventories, and any other reserves that are not available to support expenditures in the coming fiscal year (e.g. assets held for resale) equals the amount to be reserved by state statute. <i>G.S. 159-8(a)</i>		
	Verify that fund balance reserved for Powell Bill funds is accurate.		
	Verify that the total fund balance reserved for Powell Bill, designated for subsequent year’s expenditures, and any other governing board designations, do not exceed the fund balance available for appropriation.		
	Verify that non-departmental or miscellaneous expenditures on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds, do not exceed 5% of total expenditures.		
	If the municipality has budgeted an appropriation for “contingencies,” verify that the amount does not exceed 5% of all other appropriations in the same fund. <i>G.S. 159-13(b)(3)</i>		
	Verify that the operating transfers between the Statement of Revenues, Expenditures, and Changes in Fund Balances –Governmental Funds, and the Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds are equal.		
	Verify that transfers in and out are shown as separate line items in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds, and the Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds, i.e. transfers are not shown net. (If the unit is making contributions to a Pension Trust Fund for the Law Enforcement Officers’ Special Separation Allowance, the contribution should be an expenditure of the General Fund, not a transfer.)		
	If debt service expenditures are reclassified from other functional areas, verify that the budgeted amounts have been also been reclassified.		
	Verify that all budgets presented are balanced in accordance with the LGBFCA.		
	Verify that any fund balance appropriated as an other financing source is included in the budget presentation.		
	<b><i>Notes</i></b>		
	Verify that deferred revenues from cash receipts are clearly disclosed in the notes to the financial statements.		

## Financial Statement Presentation Checklist

Suggested Procedure / Checklist Item	Initials	Workpaper
Verify that the municipality has an appropriate pension footnote for the Local Government Employees' Retirement System, and any other pension notes applicable to the municipality for non-law enforcement employees.		
If the municipality has full-time, sworn law enforcement officers (LEOs), verify that the pension note disclosures for the LEO Special Separation Allowance and the Supplemental Retirement Income Plan for LEOs are included in the notes.		
If no actuarial study was done for the LEO Separation Allowance, verify that the note disclosures clearly communicate this fact.		
If the required contributions to the Supplemental Retirement Income Plan for LEOs (401K program) have not been made, verify that a statutory violation has been disclosed. <i>Based on individual situations, materiality, and the level of audit done, it is possible that a corrective action plan may be required to be included with the compliance reports.</i>		
If the LEOs participate in the LGERS, verify that the note disclosure for the Death Benefit Trust is included.		
Verify that material violations with legal and contractual provisions, or deficit fund balance/net assets in individual funds are disclosed in the stewardship note. <i>Note that the LGC illustrative statements disclose budget violations separately from other violations. Because GAAP requires disclosures of any spending violations of the legally adopted budget, materiality should not be consideration for this disclosure.</i>		
Verify that if the unit has budgeted a contingency appropriation greater than 5% of the total of all other appropriations for that fund, a statutory violation has been disclosed. G.S. 159-13(b)(3).		
If fund balance appropriated exceeds the statutory limit, even in enterprise funds, verify that this is reported as a statutory violation.		
Verify that municipalities with electric systems that are members of a power agency have a note disclosure on deregulation efforts in North Carolina. (Note that this is optional for municipalities with electrical systems that do not belong to one of the power agencies.)		
If debt proceeds for a capital project are not in a separate capital project fund (or separately accounted for in an established capital project fund), verify that a statutory violation is disclosed. G.S. 159-26(b)(6)		
If the municipality has adopted an unbalanced budget, verify that a statutory violation is disclosed in the notes.		
For units with outstanding revenue bonds, review the bond covenants to determine what the auditor's responsibility is related to debt service coverage ratios. Is the auditor required to recalculate the coverage ratio and issue an opinion on the unit's compliance with the debt service coverage ratio? <u>Note that revenue bond covenants are not standardized and can vary from bond issue to bond issue.</u> Depending on the covenant, this information may be in the notes or presented as required supplemental information.		
If the municipality has incurred losses in excess of insurance coverage, verify that this is disclosed in the risk management note.		
Verify that uncollected tax revenue is reported as deferred revenue.		
If the municipality makes payments in lieu of taxes to the General Fund, verify that the payment is clearly included as an expense in the appropriate enterprise fund(s).		
Verify that blended component units have budget to actual statements included if they (i) do not issue separate financial statements and (ii) are either a unit of local government or a public authority. For major funds (GASB 34), verify that this includes a comparison of the actual performance to both the original and to the final amended budgets.		

## Financial Statement Presentation Checklist

Suggested Procedure / Checklist Item	Initials	Workpaper
<b><i>Supplementary Schedules and Information</i></b>		
Verify that the financial plan for a capital reserve or an internal service fund is presented as if it were the budget for that fund. <i>G.S. 159-13.1</i>		
Verify that a statement/schedule is included for enterprise funds and multi-year governmental funds, showing budget to actual performance at least at the level the budget was adopted (function, department, or project).		
Verify that enterprise funds show budgets on a modified accrual basis and that a reconciliation of the revenues over/(under) expenditures to the full accrual net income amount is included.		
Verify that Sales and Use Tax is not shown as revenue in the Water and Sewer fund.		
If the municipality maintains its own electrical system, verify that electric power purchases (or the cost of electricity generation) are shown as a separate expense line item.		
Verify that electric fund transfers are in compliance with the unit's adopted transfer policy (applies only to power agency members). <i>While this is not a required item in the financial reports, it does address a unit's internal control environment. Additionally, a unit's reliance upon the electric fund for operating subsidies may be considered by the Debt Management Section if a unit applies of debt issuance approval.</i>		
For units which receive Community Development Block Grant proceeds passed through the NC Dept of Commerce, verify that the grant project is accounted for on a multi-year basis.		
If an enterprise fund capital project shows unspent debt proceeds, verify that the unspent proceeds appear as restricted assets on the Statement of Net Assets – Proprietary Funds.		
If Grant Income appears in an enterprise fund capital project, verify that the amount is correctly recognized as revenue.		
Grant revenue intended to finance improvements which <u>primarily</u> result in new assets for an enterprise fund (e.g., new water and sewer lines for a water and sewer fund) should be reported in an enterprise fund capital project rather than a governmental special revenue fund or capital project fund.		
If the unit is funding the LEO Separation Allowance and actuarial information is available, verify that certain actuarial information is included as Required Supplementary Information (RSI). Units planning to participate in the GFOA's Certificate of Achievement for Excellence in Financial Reporting certification program <u>must have an actuarial study performed.</u>		
Verify that the Analysis of Current Tax Levy schedule is included. The LGC will issue information and statewide tax collection rates calculated to two decimal places. For consistency with LGC reports, the overall tax collection rate, the collection rate on motor vehicles only and the collection rate for all other property should be shown to <u>two decimal places.</u>		
Verify that the Analysis of Current Tax Levy <u>does not include special districts</u> that are not unit wide or items that are actually fees (e.g., animal taxes that are actually flat-fees).		
<u>Yellow Book Reports.</u> If material compliance violations and reportable conditions on internal controls are noted above, these items should also appear in the <u>Government Auditing Standards</u> report on compliance and internal control.		
Verify that disclosures for the legal debt margin; the tax base broken down by real property, personal property and public service companies; and the ten largest taxpayers are included for units subject to <u>secondary market disclosure requirements.</u>		
Verify that closure and postclosure care amounts for solid waste landfills materially agree with the latest closure and postclosure care costs on record with the Dept. of Environment and Natural Resources (DENR contact, Ms. Courtney Washburn, 919-733-0692).		

## Financial Statement Presentation Checklist

Suggested Procedure / Checklist Item

Initials

Workpaper

<b>Boards of Education (BOE) Audit Checklist</b>			
	<b><i>Exhibits</i></b>		
	Verify that no negative cash is shown in any fund. If a unit pools cash into one bank account and one fund is in a deficit cash positions, a “due to” amount should be recorded in the appropriate fund and a “due from” should be recorded in the fund that is supporting the deficit fund. If a specific bank account is overdrawn, a bank overdraft liability should be shown rather than a negative cash balance. <i>AAG-SLG 7.14</i>		
	Verify that the fund balance available for appropriation is calculated correctly. See G.S. 115C-425(a) for further information on calculating fund balance available in accordance with North Carolina General Statutes. Also, there is a template for the calculation of fund balance available, found on page 25-15 of the Audit Manual.		
	Verify that the amount reserved by state statute is calculated correctly. Total fund balance less the fund balance available for appropriation equals the total amount that must be reserved. The total amount to be reserved less the reserve for encumbrances, the reserve for prepaid amounts, the reserve for inventories, and any other reserves that are not available to support expenditures in the coming fiscal year (e.g. assets held for resale) equals the amount to be reserved by state statute. <i>G.S. 115C-425 (a)</i>		
	Verify that the total fund balance designated for subsequent year’s expenditures and other Board designations does not exceed fund balance available for appropriation.		
	Verify that transfers between the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds, and the Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds are equal.		
	Verify that transfers in and out are shown as separate line items in the basic financial statements.		
	Verify that appropriations are budgeted in accordance with the Uniform Budget Format, as prescribed by the State Board of Education. G.S. 115C-426		
	<b><i>Notes</i></b>		
	Verify that deferred revenues from cash receipts are disclosed. If material, the balance of deferred revenues may also include sales tax refunds receivable.		
	Verify that the unit has a pension footnote for the Teachers’ and State Employees’ Retirement System. A note for postemployment benefits should also be included.		
	If Health Maintenance Organizations (HMOs) were available to BOE employees, verify that the correct number of HMOs available to the auditee’s employees is disclosed in the notes to the financial statements.		
	Verify that material violations with legal and contractual provisions, or deficit fund balance/net assets in individual funds are disclosed in the stewardship note. <i>Note that the LGC illustrative statements disclose budget violations separately from other violations. Because GAAP requires disclosures of any spending violations of the legally adopted budget, materiality should not be consideration for this disclosure.</i>		

## Financial Statement Presentation Checklist

Suggested Procedure / Checklist Item	Initials	Workpaper
<p>Verify that if the unit has budgeted a contingency appropriation greater than 5% of the total of all other appropriations for that fund, a statutory violation is disclosed. G.S. 115C-432(b)(3). <i>Based on individual situations, materiality, and the level of audit done, it is possible that a corrective action plan may be required to be included with the compliance reports.</i></p>		
<p>If the fund balance appropriated exceeds the statutory limit, even in enterprise funds, verify that this is reported as a statutory violation. 115C-425(a)</p>		
<p>If an expenditure for current expenses or capital outlay purposes is made from the wrong fund, verify that a statutory violation is disclosed.</p>		
<p>If a transfer was made between the Local Current Expense Fund and the Capital Outlay Fund, and such a transfer required the approval of the county commissioners, verify that such approval had been received. Verify also that the transfer was for the purpose of an emergency or unforeseen event. If it was not, verify that a statutory violation is disclosed. G.S. 115C-433(b) and (d).</p>		
<p>If the board of education has incurred losses in excess of insurance coverage, verify that this is disclosed in the risk management note.</p>		
<p><b><i>Supplementary Schedules and Information</i></b></p>		
<p>Verify that timber receipts received from the county are included as a component of the county's appropriation received in the Local Current Expense Fund.</p>		
<p>Verify that fines and forfeitures and supplemental tax levies received from the county are included as separate line items in the Local Current Expense Fund.</p>		
<p>Verify that enterprise funds show budgets on a modified accrual basis and that a reconciliation of the revenues over/(under) expenditures to the full accrual net income amount is included.</p>		
<p>Verify that amounts received from counties and/or cities for local current expense and capital outlay are detailed in the statements. If the BOE receives funding from a combination of counties and/or municipalities, verify that the respective amounts from each funding source are clearly identified in the supplemental schedules.</p>		
<p>If <u>material</u> statutory or contract violations and/or reportable conditions on internal controls are included in a stewardship and compliance note, these items should also appear in the <u>Government Auditing Standards</u> report on compliance and internal control, if the Yellow Book auditing standards apply.</p>		
<p>Reconcile the amounts received from the county for local current expense and capital outlay with the amounts reported by the county. <i>Note that this will most likely require communications with the county's auditor. The amount of capital outlay expenditures per the county report, by law, must be reported to the General Assembly by May 1 of each year. To help ensure fair and equitable funding, the capital outlay amounts on both reports should materially agree.</i></p>		

## Financial Statement Presentation Checklist

Suggested Procedure / Checklist Item

Initials

Workpaper

<b>Charter School Audit Checklist</b>			
	<b><i>Exhibits</i></b>		
	Verify that no negative cash is shown in any fund. If a unit pools cash into one bank account and one fund is in a deficit cash position, a “due to” amount should be recorded in the appropriate fund and a “due from” should be recorded in the fund that is supporting the deficit fund. If a specific bank account is overdrawn, a bank overdraft liability should be shown rather than a negative cash balance. <i>AAG-SLG 7.14</i>		
	Because charter schools in the state are <u>not subject to</u> G.S. 115C-425(a), no reserve by state statute amount should be calculated.		
	Verify that operating transfers are equal between the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds, and the Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary funds.		
	Verify that transfers in and out are shown as separate line items in the basic financial statements.		
	If the unit has adopted an annual budget, a budget to actual comparison should be included. Because charter schools do not have a prescribed budget format, professional judgment should be used in determining the format that best shows the level of adoption and actual performance.		
	<b><i>Notes</i></b>		
	Verify that the unit has an appropriate pension footnote. Note that charter schools may participate in the NC Teachers’ and State Employees’ Retirement System or a school may opt to provide a private pension arrangement. Professional judgment should be used in determining which notes and information to include.		
	If the special revenue fund is advancing State or federal money to other funds through the use of “due to” and “due from” transactions for routine operational needs, verify that a statutory violation has been disclosed. <i>Based on individual situations, materiality, and the level of audit done, it is possible that a corrective action plan may be required to be included with the compliance reports.</i>		
	If the charter school has incurred losses in excess of insurance coverage, verify that this is disclosed in the risk management note.		
	Verify that violations with legal and contractual provisions or deficit fund balance/net assets in individual funds are noted. <i>Note that the LGC illustrative statements disclose budget violations separately from other violations. Because GAAP requires disclosures of any spending violations of the legally adopted budget, materiality should not be consideration for this disclosure.</i>		
	A Conflict of Interest policy is required for Charter Schools by State Board Policy #EEO-U-006 - Policy For Charter Schools On Financial And Governance Noncompliance. Verify that a conflict of interest policy has been adopted.		
	Verify that the charter school governing board and officials have followed their own policy. If the board has not followed its own policy, disclose this as appropriate based on professional judgment. <i>Because charter schools must be sponsored by a non-profit corporation, related party transactions are not unusual. Auditors should consider inquiries of management and testing of transactions to determine if any related party transactions have occurred.</i>		

## Financial Statement Presentation Checklist

Suggested Procedure / Checklist Item	Initials	Workpaper
<i>Auditors should also consider that charter schools may lose their charter for financial mismanagement. This fact should be considered when evaluating the audit procedures to be done, the extent of testing to be performed, and any related party note disclosures to be made.</i>		
<b><i>Supplementary Schedules and Information</i></b>		
Yellow Book Reports. If <u>material</u> statutory or contract violations and/or reportable conditions on internal controls are included in a stewardship note, these items should also appear in the <u>Government Auditing Standards</u> report on compliance and internal control.		
Charter schools in North Carolina are subject to comparatively fewer laws, regulations, and operating guidelines than other local government units or public authorities. Verify that issues which would be statutory violations in other auditees are evaluated for management letter comments, referral to the audit committee, inclusion as reportable conditions related to internal control, etc.		

## Financial Statement Presentation Checklist

Suggested Procedure / Checklist Item

Initials

Workpaper

<b>Public Housing Authority (PHA) Audit Checklist</b>			
	<b><i>Exhibits</i></b>		
	Verify that no negative cash is shown in any fund. If a unit pools cash into one bank account and one fund is in a deficit cash position, a “due to” amount should be recorded in the appropriate fund and a “due from” should be recorded in the fund that is supporting the deficit fund. If a specific bank account is overdrawn, a bank overdraft liability should be shown rather than a negative cash balance. <i>AAG-SLG 7.14</i>		
	<i>Note that the Dept of Housing and Urban Development recommends, but does not require, that the accounts and financial transactions of a PHA be accounted for in an enterprise fund.</i>		
	If the PHA uses the governmental model of financial reporting, verify that the fund balance available for appropriation is calculated correctly. See G.S. 159-8(a) for more details. Also, there is a template for the calculation of this amount on page 25-15 of the Audit Manual.		
	If the PHA uses the governmental model of financial reporting, verify that the reserved by state statute is calculated correctly. Total fund balance less the fund balance available for appropriation equals the total amount that must be reserved. The total amount to be reserved less the reserve for encumbrances, the reserve for prepaid amounts, the reserve for inventories, and any other reserves that are not available to support expenditures in the coming fiscal year (e.g. assets held for resale) equals the amount to be reserved by state statute. <i>G.S. 159-8(a)</i>		
	If the PHA uses the governmental model of financial reporting, verify that total fund balance designated for subsequent year’s expenditures and any other governing board designations do not exceed fund balance available for appropriation.		
	Verify that transfers in and out are shown as separate line items in the basic financial statements.		
	Governmental Funds. If the budget for the PHA is prepared under HUD’s guidelines and appropriations exceed revenues, verify that there is sufficient equity in the fund to support the budget. (Budget to actual comparisons for enterprise funds should be included as a supplementary schedule.)		
	<b><i>Notes</i></b>		
	If the deposits of a PHA are not collateralized using the dedicated method, verify that a statutory violation has been disclosed. <i>Based on individual situations, materiality, and the level of audit done, it is possible that a corrective action plan may be required to be included with the compliance reports.</i>		
	Verify that the official depository has been notified that the deposited funds are public funds which must be collateralized. <i>The LGC recommends that the funds be collateralized following North Carolina General Statutes. Forms and guidance for this are available on the State Treasurer’s web site. <a href="#">[click here]</a></i>		
	Verify that violations with legal and contractual provisions or deficit fund balance/ net assets in individual funds are noted. <i>Note that the LGC illustrative statements disclose budget violations separately from other violations. Because GAAP requires disclosures of any spending violations of the legally adopted budget, materiality should not be consideration for this disclosure.</i>		

## Financial Statement Presentation Checklist

Suggested Procedure / Checklist Item	Initials	Workpaper
If applicable, verify that deferred revenues from cash receipts are disclosed.		
Verify that the unit has an appropriate pension footnote. Public housing authorities may participate in the Local Government Employees' Retirement System, or the authority may provide other pension arrangements. Professional judgment should be used in determining what information to include.		
If the PHA has incurred losses in excess of insurance coverage, verify that this is disclosed in the risk management note.		
<b><i>Supplementary Schedules and Information</i></b>		
Verify that the Financial Data Schedule has been included with the bound financial statements.		
Verify that a statement/schedule is included for enterprise funds and multi-year governmental funds, showing budget to actual performance at least at the level the budget was adopted (function, department, or project). For major funds, verify that this includes a comparison of the actual performance to both the original and to the final amended budgets.		
If the PHA has issued conduit debt serviced by the federal government, verify that the conduit debt information is disclosed. This should include the number of issues outstanding, the amount of debt outstanding or, if the preceding information is not available, the original issue amount of the debt issues.		
Verify that the annual cost certification schedule is included for any funds or projects, as applicable.		

## Financial Statement Presentation Checklist

Suggested Procedure / Checklist Item

Initials

Workpaper

<b>Public Hospital Audit Checklist</b>			
	<b><i>Exhibits</i></b>		
	Verify that no negative cash is shown in any fund. If a unit pools cash into one bank account and one fund is in a deficit cash position, a “due to” amount should be recorded in the appropriate fund and a “due from” should be recorded in the fund that is supporting the deficit fund. If a specific bank account is overdrawn, a bank overdraft liability should be shown rather than a negative cash balance. <i>AAG-SLG 7.14</i>		
	If the public hospital has board designated funds, verify from the Statement of Net Assets captions and/or the notes to the financial statements, what portion of the board designated funds that are still under the control of the governing board and what portion of the designated funds are cash and cash equivalents.		
	Verify that the patients’ accounts receivable balance is presented net of the uncollectible allowance.		
	Verify that the balance of the capital assets, at cost, is included on the face of the Statement of Net Assets or in the notes to the financial statements.		
	Verify that the net patient revenues are presented net of any contractual adjustments. The provision for bad debts should be presented as part of operating expenses.		
	If the public hospital follows GASB statements, verify that any change in the value of the auditee’s investments is presented as a change in the fair value of estimates and not as unrealized gains or losses.		
	<b><i>Notes</i></b>		
	For units with outstanding revenue bonds, review the bond covenants to determine what the auditor’s responsibility is related to debt service coverage ratios. Is the auditor required to recalculate the coverage ratio and issue an opinion on the unit’s compliance with the debt service coverage ratio? <u>Note that revenue bond covenants are not standardized and can vary from bond issue to bond issue.</u> Depending on the covenant, this information may be in the notes or presented as required supplemental information.		
	If the public hospital has failed to select an official depository and/or failed to collateralize all public funds, verify that a statutory violation has been disclosed. <i>Based on individual situations, materiality, and the level of audit done, it is possible that a corrective action plan may be required to be included with the compliance reports.</i>		
	Verify that a pension note disclosure is enclosed. If the hospital offers a private pension plan, professional judgment should be used as to the information to be included. If actuarial information regarding the pension plan is available, verify that this information is actually included.		
	<b><i>Supplementary Schedules and Information</i></b>		
	Yellow Book Reports. If <u>material</u> statutory or contract violations and/or reportable conditions on internal controls are included in the stewardship and compliance note, these items should also appear on the <u>Government Auditing Standards</u> report on compliance and internal control.		