

## Financial Reporting Checklist for North Carolina Counties

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 refer to the Audit Manual web-site on the NC Department State Treasurer's web-site ([https://www.nctreasurer.com/slg/lfm/audit\\_acct/Pages/Audit-Manual.aspx](https://www.nctreasurer.com/slg/lfm/audit_acct/Pages/Audit-Manual.aspx)) 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 website 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 current GASB Statements. Users should consider whether the suggested procedure is of benefit as they audit.

<b>County Checklist</b>			
	<i>Suggested Procedure / Checklist item</i>	<i>Performed By or NA</i>	<i>Workpaper Reference</i>
	<b>Independent Auditor's Report</b>		
	Does the report include Independent Auditors Report on the top of the first page? (AU-C 700, ¶.23). Is the report signed (stamped or manual signature), dated, and is the firm's city included? (AU-C 700, ¶.39,.41) It is preferred that the opinion is presented on the firm's letterhead.		
	If other auditor(s) audit a component and the group engagement partner does not want to assume responsibility for the work of the component auditor, is (are) other auditor(s) referenced in the auditor's responsibility paragraph and opinion paragraph? (AU-C 600, ¶.28)		
	If other auditor(s) is (are) referenced and the audit was performed using yellow book standards, is there a statement that the DCU(s), not audited by the group auditor and not subject to yellow book standards (ABC Boards and TDAs), was (were) not performed under yellow book standards? ((AICPA GAS/UG ¶4.74, ¶4.75).		
	Opinion paragraph includes applicable references for the following: unmodified opinion, opinion units (as listed in the first paragraph and presented in the financial statements), budgetary comparison statements ( <b>General Fund</b> and annually budgeted major Special Revenue funds presented in the basic financial statements), and cash flows (if cash flow statement is presented for enterprise fund(s)).		
	Is an Other Matters paragraph included for Required Supplementary Information presented for MD&A and any other statements that have RSI (Law Enforcement Officers' Special Separation Allowance (LEO), Other Post Employment Benefit (OPEB), or <b>Local Government Retirement System (LGRS)</b> )?		
	If an Other Matters paragraph for Supplementary Information is presented, does it properly reference the appropriate schedules? Most commonly referenced are combining and individual fund financial statements, budgetary schedules, other schedules (ad valorem tax schedules), and schedule of expenditures of federal and State awards.		
	If there has been a change in accounting principle that has a material effect on comparability of the financial statements, a paragraph headed "Change in Accounting Principle" should be added after the Opinion paragraph. (AU-C 708.08)		

	If the auditor's report is subject to other reporting responsibilities, such as Governmental Auditing Standards, a paragraph subtitled "Report on Other Legal and Regulatory Requirements" or otherwise as appropriate to the content of the section. For yellow book audits, an appropriate subtitle should be "Other Reporting Required by <i>Governmental Auditing Standards</i> ." (AU-C ¶700.37)		
	Report date & date of compliance reports are the same. If not, is there dual dating of the reports?		
	<b>Management Discussion and Analysis (MD&amp;A)</b>		
	Is MD&A presented preceding the basic financial statements and does it contain all the required contents? (GASB No. 34, ¶ 11)		
	Do all schedules presented and references tie to the financial statements and applicable notes?		
	If comparative financial statements (basic financial statements) and RSI are presented for both years, are two years presented in the MD&A along with the prior year (three years total) presented? (If comparative data is provided for non-comparative financial statements, the three year presentation is not required). (GASB No. 34, <i>Implementation Guide</i> Q8)		
	<b>Exhibits</b>		
	<b>Statement of Net Position</b>		
	Does the statement report all financial and capital resources?		
	Is the statement of net position presented as assets, plus deferred outflows of resources, less liabilities, less deferred inflow of resources equals net position? (GASB No. 63 ¶ 8)		
	Are assets and liabilities are presented either in order of their relative liquidity or classified between current and long-term? Liabilities whose average maturities are greater than one year should be reported in two components, the amount due in one year and the amount due in more than one year. (GASB No. 34 ¶31, 97, 99 or GASB No. 62 ¶30-35),		
	Verify that Unexpended bond proceeds, Powell Bill, or other cash not available for operations of the fund(s) are classified as restricted cash and investments in the financial statements and are clearly described in the notes.		
	Does the restricted component of net position include significant unspent related debt proceeds or deferred inflow of resources attributable to the unspent amount? (GASB No. 63 ¶9)		
	Verify that Internal balances net to zero between Governmental Activities and Business-type Activities, and tie to the fund statements. (GASB No. 34, ¶ 58)		
	Have differences in amounts reported in the fund statements as interfund receivables and payables presented as internal balances? Are mounts reported as receivables from or payables to fiduciary funds included in the statement of net position as receivables or payables and not internal balances?		
	Capital assets are separated between nondepreciable & depreciable. (GASB No. 34 ¶ 20)		
	Restricted net position and restricted for stabilization by state statute (RSS) should tie to the appropriate fund statements.		
	Bond anticipation notes should be classified as current liabilities.		
	Are deferred outflows and inflows of resources itemized? Deferred outflows or inflows of resources should include a name and amount either in the notes OR on the face of the applicable statements. (GASB No. 63 ¶ 13)		
	Are Prepaid cash receipts properly classified as liabilities or deferred inflows of resources?		
	Verify that all references to "deferred revenues" are replaced by "unavailable revenues", "deferred inflows of resources" or another appropriate term as an alternative. Bond Issuance costs, except for prepaid insurance, are no longer capitalized and should not be reported on the Statement of Net Position. Deferred gains and losses on refunding debt should be presented as Deferred Outflows (losses) or Deferred Inflow (gains). GASB 65		
	Verify that Bond issuance costs, EXCEPT FOR PREPAID INSURANCE, do not appear on the Statement of Net Position. They should be expensed in the current year. GASBS 65 ¶15		
	Verify that deferred gains and losses on refunding debt appear as a deferred inflow of resources if a loss and a deferred outflow of resources if a gain. GASBS 65 ¶6		

	The equity section of the Statement of Net Position should reflect three components: Net investment in capital assets, Restricted (distinguishing between major categories of restrictions including Stabilization by State Statute), and Unrestricted.		
	Does the restricted component of net position include significant unspent related debt proceeds or deferred inflow of resources attributable to the unspent amount? (GASB No. 63 ¶9)		
	Restricted net position and restricted for stabilization by state statute (RSS) should tie to the appropriate fund statements. Net position resulting from ROD amounts should be restricted.		
	Is the net investment in capital assets calculation reasonably correct? The calculation includes any capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributed to the capital assets. Any significant unspent debt proceeds at year end related to the capital assets should be backed out of the calculation of net investment in capital assets. (GASB No. 63 ¶9)		
	Verify that no negative cash is shown in the statement. 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 in both the fund and government-wide financial statements rather than a negative cash balance. <i>AICPA's Audit and Accounting Guide State and Local Governments 5.28 (March 2013)</i>		
	For counties that participate in LGERS and/or ROD, do the numbers appearing in the financial statements agree to the data tables provided by DST (make sure you have combined the data from multiple ORBIT accounts if applicable)? Net pension asset or liability? Deferred outflows and inflows of resources?		
	For counties that participate in LGERS and/or ROD, have the net pension asset or liability, deferrals, or pension expense been allocated among all relevant funds?		
	For counties that participate in LGERS and/or ROD, are pension deferrals properly itemized on the face of the financial statements or in the notes to the statements?		
	Are assets held to fund LEOSSA accounted for in a GASB defined trust? Has GASB Statement No. 68 been implemented?		
	If there is an internal service fund and governmental activities are the predominant or only participates in the internal service fund, are the internal service fund assets, deferred outflows of resources, liability, and deferred inflows of resources balance that are not eliminated in the Statement of Net Position reported in the governmental activities column? If the enterprise funds are predominant or the only participants in an internal service fund, the residual assets and liabilities should be reported in the business-type activities. (GASB No. 34 ¶62 and GASB No. 63 ¶7-8)		
	For those units that have implemented GASB Statement No. 73, do the exhibits, notes and RSI refer to Total Pension Liability (TPL) and not Net Pension Obligation or Net Pension Liability? Net pension liability is used if the unit is reporting under GASB Statement No. 68. “Net Pension Obligation” is now obsolete. (GASB No. 73 ¶25)		
	For those units that have implemented GASB Statement No. 74, do the exhibits, notes and RSI reference the plans’ liability (assets) as Net OPEB Liability (asset)? “Net OPEB obligation” is now obsolete; any situation in which the total OPEB liability exceeds the OPEB plan’s fiduciary net position should use the term “Net OPEB liability.” If the plan’s fiduciary net position exceeds the total OPEB liability, “net OPEB asset” should be used.		
	If the County has an internal service fund and governmental activities are the predominate or only participates in the internal service fund, are the internal service fund assets, deferred outflows of resources, liability, and deferred inflows of resources balance that are not eliminated in the statement of net position reported in the governmental activities column? If the enterprise funds are predominate or the only participants in an internal service fund, the residual assets and liabilities should be reported in the business-type activities. (GASB No. 34 ¶62 and GASB No. 63 ¶7-8)		
	<b>Statement of Activities</b>		
	Does the statement present activities accounted for in governmental funds by function and are those activities accounted for in the enterprise funds by different identifiable activities?		

	(GASB 37 ¶ 10)		
	Are all expenses reported by function (governmental) or activities (business-type) except those that are reported as special or extraordinary? <b>Are all expenses reported by function and consistent with those functions reported in the fund level statements, as applicable?</b>		
	<b>Are program revenues separately reported in three categories – charges for services, program-- specific capital grants, and contributions?</b>		
	Is interest on general long term liabilities that are not considered direct expense, reported on a separate line? (GASB 34, ¶ 46)		
	Ensure transfers are shown separately & net to zero, except when transfers to/from a blended component unit with a different fiscal year end.		
	<b>Area all general tax revenues reported separately by the type of tax?</b>		
	Special and/or Extraordinary items are properly disclosed and agree to the notes following the financial statements.		
	Do the amounts reported as ending balances for net position tie to the amounts reported on the Statement of Net Position? Do beginning balances reported tie to the amounts reported on the prior year financial statements?		
	For counties that participate in LGERS and/or ROD, have the net pension asset or liability, deferrals, or pension expense been allocated among all relevant funds?		
	If there is a Prior Period Adjustment, is the Prior period adjustment described in the notes to the financial statements?		
	<b>Fund Financial Statements</b>		
	<b>Governmental Fund – Balance Sheet</b>		
	Major funds should be presented individually and consistently on the Balance Sheet ( <b>displaying assets plus deferred outflows of resources equals liabilities plus deferred inflows of resources, plus fund balances</b> ) and the statement of revenues, expenditures, and changes in fund balances.		
	The non-major funds should be labeled as such and presented in the aggregate on the balance sheet and the statement of revenues, expenditures, and changes in fund balance.		
	All General and annually budgeted major special revenue Funds must have budget to actual statements presented in the Basic Financial Statements.		
	Verify that units with 911 funds have a separate Emergency Telephone System Fund and budget to actual presented.		
	Verify that units with a Community Development Block Grant passed through from NC Department of Commerce, Division of Community Assistance, are reported in a separate Special Revenue or Capital Projects Fund.		
	Verify that unearned revenues (prepaid cash receipts) from exchange transactions are classified as liabilities and that unearned revenues from non-exchange transactions are shown as deferred inflows of resources. Ex: uncollected tax revenue (property taxes receivable) is reported as deferred inflows of resources on the governmental fund balance sheet. Prepaid taxes are deferred inflows of resources on both the government-wide Statement of Net Position and the Governmental Fund balance sheet. <i>GASBS 65 ¶53, 67</i>		
	Verify that all references to “deferred revenues” are replaced by “unavailable revenues”, “deferred inflows of resources” or another appropriate term as an alternative. Deferred gains and losses on refunding debt should be presented as Deferred Outflows (losses) or Deferred Inflow (gains). <i>GASB 65</i>		
	Are Prepaid cash receipts properly classified as liabilities or deferred inflows of resources?		
	Verify that the amount restricted for stabilization by state statute (RSS) is calculated correctly and is shown on both the Statement of Net Position and the Governmental Fund balance sheet (GASB 54). Calculation = total fund balance less the fund balance available for appropriation equals the total amount that must be restricted. The total amount to be restricted less encumbrances, the nonspendable for prepaid amounts, the nonspendable for inventories, and any other nonspendable 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 (Calculation for RSS is included in the Fund balance for Appropriation template). <i>G.S. 159-8(a)</i>		

	Verify that the total fund balance designated for subsequent year's expenditures and other governing board designations do not exceed the fund balance legally available for appropriation in any fund. <i>G.S. 159-8(a)</i>		
	Verify that only the General Fund has a positive unassigned fund balance. It may be necessary to report a negative fund balance for other governmental funds. <i>GASBS 54 ¶17</i>		
	Verify that appropriate fund balance classifications are used: non-spendable, restricted, committed, assigned, and unassigned. <i>GASBS 54 ¶6-19</i>		
	Verify that governmental fund inventories, prepaid assets and long term balances of loans receivables are shown as a non-spendable component of fund balance on the balance sheet ( <i>GASB No. 54 ¶ 6</i> )		
	Is the reconciliation of changes in fund balance of governmental funds to the changes in net position of governmental activities presented on the face of the financial statements or in a separate schedule? <i>GASB No. 34 ¶77, ¶85, and ¶90</i> . Does the reconciliation appear reasonable?		
	<b>Governmental Fund – Statement of Revenues, Expenditures, and Changes in Fund Balance</b>		
	Verify funds reported as major and non-major on the balance sheet are also reported accordingly in the statement of revenues, expenditures, and changes in fund balance.		
	Are revenues reported by major source and expenditures by function?		
	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 there is 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 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 position – 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 position – 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.		
	Do the amounts reported as ending balances on the fund balance sheet tie to the amounts reported on statement of revenues, expenditures, and changes in fund balance? Do beginning balances reported tie to the amounts reported on the prior year financial statements?		
	Activities of a special revenue fund that does not meet the definition of a special revenue fund for GASB No. 54 purposes should be consolidated into the General Fund. <i>GASB 54 ¶ 30-31</i>		
	Is the reconciliation of changes in fund balance of governmental funds to the changes in net position of governmental activities presented on the face of the financial statements or in a separate schedule? ( <i>GASB No. 34 ¶ 77, 90</i> ) Does the reconciliation appear reasonable?		
	<b>Governmental Fund – Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual</b>		
	Budget to Actual Statements are presented in the basic financial statements for the General Fund and all annually budgeted special revenue funds (except Trust and Agency). The statement should present both the original and final appropriated budgets. ( <i>GASB No. 34 ¶ 130, footnote 53</i> )		
	Annually budgeted funds reported on the statement of revenues, expenditures, and changes in fund balance – Budget and actual are referenced in the auditor's opinion in the opinion paragraph as budgetary comparison statements for the general fund and any major annually budgeted special revenue fund.		
	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. If the county has adopted an unbalanced budget, verify that a statutory violation is disclosed in the stewardship notes. <i>G.S. 159-8(a)</i>		

	Verify that any fund balance appropriated is included in the budget presentation as an “other” financing source.		
	Verify that fund balance appropriated does not exceed the statutory limit. <i>G.S. 159-8(a)</i>		
	If a special revenue fund has been consolidated into the general fund for GASB 54 purposes, there should be a reconciliation at the bottom of the general fund budget-to-actual that reconciles the amount for ending fund balance to the amount presented on the statement of revenue, expenditures and changes in fund balance.		
	<b>Proprietary Funds – Statement of Fund Net Position/Statement of Revenues, Expenditures, and Net Position</b>		
	Do the funds report activities that provide goods and services for which a fee is charged to external users? Are the funds for activities that are financed with debt that is secured by a pledge of net revenues from fees and charges to external users for the activities? Do the laws or regulations or price policies require that the cost of providing services be recovered by fees and charges to external users?		
	Is the statement of net position in the format that displays assets, plus deferred outflows of resources, less liabilities, less deferred inflow of resources, equals net position?		
	Major funds should be presented individually and consistently on the statement of net position, the statement of revenues, expenditures, and statement of net position, and statement of cash flows. Each major fund should be presented in a separate column.		
	The non-major funds should be labeled as such and presented in the aggregate, in a single column, on the Statement of Fund Net Position, the Statement of Revenues, Expenditures, and Statement of Net Position, and Statement of Cash Flows. ( <i>GASB No. 34 ¶ 75, 96</i> )		
	Restricted cash is separately reported from unrestricted cash and is clearly described in the notes.		
	For counties that participate in LGERS and/or ROD, do the numbers appearing in the financial statements agree to the data tables provided by DST (make sure you have combined the data from multiple ORBIT accounts if applicable)? Net pension asset or liability? Deferred outflows and inflows of resources?		
	For counties that participate in LGERS and/or ROD, for counties that participate in LGERS and/or ROD, have the net pension asset or liability, deferrals, or pension expense been allocated among all relevant funds?		
	GASB No. 65 replaces the term Deferred Revenues. All references to “deferred revenues” should be replaced by “unavailable revenues”, “deferred inflows of resources” or another appropriate term as an alternative. Bond Issuance costs, except for prepaid insurance, are no longer capitalized and should not be reported on Statement of Net Position. Deferred gains and losses on refunding debt should be presented as Deferred Outflows (losses) or Deferred Inflow (gains).		
	Bond Issuance costs, except for prepaid insurance, are no longer capitalized and should not be reported on Statement of Fund Net Position, but reported as an expense in the period incurred. ( <i>GASB No. 65 ¶ 15</i> )		
	Are Prepaid cash receipts properly classified as liabilities or deferred inflows of resources?		
	Do the amounts reported as ending total net position on the Statement of Fund Net Position tie to the amounts reported on Statement of Net Position? Do beginning balances reported tie to the amounts reported on the prior year financial statements?		
	Liabilities payable from restricted assets should be properly identified on the Statement of Net Position and the Statement of Fund Net Position.		
	Does the Statement of Revenues, Expenses, and Change in Fund Net Position present the following information, in detail, when applicable?: Operating revenues, total operating revenues, operating expenses, total operating expenses, operating income/loss, nonoperating revenues/expenses, income before other revenue, expenses, and transfers, capital contributions, increase/decrease in net position, net position beginning of period, net position end of period. ( <i>GASB No. 34 ¶100</i> )		
	Are revenues presented by major source and discounts and allowances disclosed either on the face of the statement or in the notes? ( <i>GASB No. 34, footnote 41</i> )		
	Verify Internal Service Funds are only used to report activities that provide goods or services to other funds, departments or agencies of the primary government and its component units, or to other governments, on a cost reimbursement basis and for which the reporting government is the predominant participant in the activity. <i>GASB 34 ¶68</i>		
	Verify the aggregate internal service funds are presented in a single column to the right of the total enterprise funds column. <i>GASB 34 ¶96</i>		

<b>Proprietary Funds – Statement of Cash Flows</b>			
	Is the direct method used to present cash flows from operating activities, which reports major classes of gross cash receipts and gross cash payments and their combined sum? If applicable, the <b>Statement of Cash Flows should report net cash provided (used) by operating, noncapital financing, capital and related financing, and investing activities and the effect on these inflows. (GASB No. 9 ¶ 7)</b>		
	Verify on the Statement of Cash Flows that changes in due to / due from are presented as non-capital financing and not as part of the reconciliation to “cash flows from operations”. (GASB No. 9 ¶ 21)		
	Do ending cash and cash equivalents tie to the related fund statements? Does beginning cash tie to prior year statements? (GASB No. 9 ¶ 8) Do transfers tie to related fund statements?		
	Cash flows should be classified into four categories: Cash flows from operating activities, Cash flows from noncapital financing activities, Cash flows from capital and related financing activities, and Cash flows from investing activities..		
	<b>Operating Activities</b> Cash receipts and payments from the following activities as cash flows from operating activities: a) Cash inflow from customers for sales of goods and services, including receipts from collection of accounts receivables and both short- and long- term notes receivable from customers arising from those sales. b) Cash payments to suppliers for goods and services. c) Cash payments for taxes, duties, fines, and other fees or penalties. d) Cash collected for deposits and returned of deposits. e) Cash receipts and payments for interfund provided and services used, including receipts and payments in lieu of taxes that are payments for, and reasonable equivalent in value to, services provided. f) Payment to employees. g) Cash payments on program loans. h) Cash receipts and payments for grants from or to other governments or organizations for specific activities that are considered operating activities of the grantor government or organization. i) All other cash receipts and payments that do not result from transactions defined as capital and related financing, noncapital financing, or investing activities.		
	<b>Noncapital financing activities</b> Cash receipts and payments from the following activities as cash flows from noncapital activities: a) Proceeds from issuing bonds, notes, and other short- or long- term borrowings not attributed to acquisition, construction, or improvement of capital assets, or program loans. b) Cash receipts from grants or subsidies except those for specific activities that are considered to be operating activities of the grantor government. c) Cash received from other funds except for those amounts that are clearly attributed to acquisition, construction, or improvement of capital assets, interfund services provided; and interfund reimbursements. d) Cash receive from property and other taxes collected for the governmental enterprise and not specifically restricted for capital purposes. e) Repayments of amount borrowed for purposes other than acquisition, construction, or improvement of capital assets, or program loans. f) Cash paid as grants or other subsidies to other governments or organizations, except those for specific activities that are considered to be operating activities of the grantor government. g) Cash paid to other funds, except for interfund services used.		
	<b>Capital and related financing activities</b> Cash receipts and payments from the following activities as cash flows from capital and related financing activities: a) proceeds from issuing or refunding bonds, mortgages, notes, and other short- or long- term borrowings clearly attributed to acquisition, construction, or improvement of capital assets. b) Receipts from capital grants awarded to the governmental enterprise. c) Receipts from contributions made by other funds, other governments, and other organizations or individuals for the specific purpose of defraying the cost of acquiring, constructing, or improving capital assets. d) Receipts from sales of capital assets as well as proceeds from insurance on capital assets that were stolen or destroyed. e) Receipts from special assessments or property and other taxes levied specifically to finance the construction, acquisition, or the improvement of capital assets. f) Payment to acquire, construct, or improve capital assets. g) Repayments or refunding of amounts borrowed specifically to acquire, construct, or improve capital assets. h) Other principle payments to vendors who have extended credit to the governmental enterprise directly for the purpose of acquiring, constructing, or improving capital assets. i) Cash payments to lenders and other creditors for interest directly related to acquiring, constructing, or improving capital assets.		
	<b>Investing activities</b> Cash receipts and payments from the following activities as cash flows from investing activities: a) Receipts from collections of loans (except program		

	loans) made by the governmental enterprise and sales of other entities debt instruments (other than cash equivalents) that were purchased by the governmental enterprise. b). Receipts from sales of equity instruments and from returns of investment in those instruments. c) Interest and dividends received as returns on loans (except program loans), debt instruments of other entities, equity securities, and cash management or investment pools. d) Withdrawals from investment pools that the governmental enterprise is not using as demand accounts. e) Disbursements for loans (except program loans) made by the governmental enterprise and payments to acquire debt instruments of other entities (other than cash equivalents). f) Payments to acquire equity instruments. g) Deposits into investment pools that the governmental enterprise is not using as demand accounts.		
	Does the Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operations appear reasonable? Does the net cash provided (used) by operations in the reconciliation section tie to the net cash provided (used) by operations in the operating activities section?		
	Does operating income on the Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities tie to operating income on the Statement of Revenues, Expenses and Changes in Fund Net Position? (GASB No. 9 ¶ 34)		
	<b>Statement of Fiduciary – Net Position and Changes in Net Position</b>		
	Verify a separate column is presented for each fiduciary type.		
	Same fund type is presented among both fiduciary statements. Agency Funds should not be reported in the Statement of Changes in Fiduciary Net Position. (GASB No. 34 ¶ 110).		
	Both Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position are included in the financial statements and ending net Position between both statements agree.		
	Verify that pension trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit plans, defined contribution plans, other postemployment benefit plans, and other employee benefit plans. GASB 34 ¶70		
	Verify that private-purpose trust funds are used to report all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. GASB 34 ¶72		
	Verify if agency funds are used to report resources held by the County in a purely custodial capacity. Examples include pass-through grants and collections of Register of Deeds fees passed to the state. These are infrequent cases in which the recipient government serves only as a cash conduit. GASB 34, ¶5		
	Units of government with pension trust funds and with irrevocable trusts for other employee benefits must include fiduciary statements in the basic financial statements. Monies set aside for other employee benefits but not held in irrevocable trusts should be reported as a designation of fund balance or in an internal service fund. GASB 34 ¶ 108-109.		
	Trusts have contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable, pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms, and pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members. GASB 68 ¶ 4 (a-c)		
	For units subject to GASB Statement No. 74, Statements of Fiduciary Net Position and Changes in Fiduciary Net Position should be included in the Basic Financial Statements. In addition, the fiduciary net position of the plan should be referred to as “net position restricted for OPEB.” (GASB No. 74 ¶ 27)		
	<b>Notes to the Financial Statements</b>		
	<b>Note Disclosures: Summary of Significant Accounting Policies</b>		
	Verify that the reporting entity note properly describes the relationship between the primary government and the component unit (CU). (GASB No. 61 ¶11)		
	If the discretely presented component units (DPCU(s)) does not issue separate financial statements, verify that the DPCU(s) is (are) clearly described in the notes of the primary government’s financial statements and notes on material items including cash, investments,		

	inventory, capital assets, long term debt, and compliance with bonding requirements are included.		
	If DPCUs does not issue separate financial statements, verify that the audit report includes the DPCU's budget to actual statements <a href="#">as supplementary information</a> .		
	A description of the government-wide financial statements, noting that neither fiduciary funds nor component units that are financial in nature are included.		
	The measurement focus and basis of accounting used in the government-wide and fund financial statements.		
	The policy for: (i) allocating indirect expenses to functions in the statement of activities., (ii) for eliminating internal activity in the governmental-wide statement of activities, including, if applicable, that an administrative overhead component is included in direct expenses, (iii) the policy for interfund eliminations in the fund financial statements, (iv) types of transactions included in program revenues in the statement of activities, that an ad fund financial statements, (v) revenue recognition policies used in fund financial statements, including the length of time used to defined available for purpose of revenue recognition in the governmental fund financial statements.		
	The policy for: (i) capitalizing assets and for estimating the useful lives of those assets (used to calculate depreciation expense), (ii) a description of the modified approach for reporting eligibility infrastructure assets, if used.		
	The policy for (i) defining operating and nonoperating revenues of proprietary funds, (ii) policy for applying FASB pronouncements issued after November 30, 1989 to business-type activities and to enterprise funds of the primary government, (iii) the definition of cash and cash equivalents used in the statement of cash flows for proprietary funds, (iv) the government's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.		
	Significant or unusual accounting treatment for other materials account balances or activities, the method and period of amortization for intangible assets, and basis for stating inventories, including the method of determining costs.		
	Basis of Presentation, Basis of Accounting: Verify that descriptions of the major funds, internal service funds, and the fiduciary funds are part of the notes and agree with the fund statements. <i>GASBS 38 ¶6</i>		
	Is there a budgetary note explaining the budgetary responsibility, the basis of accounting used in budgetary reporting, legal level of control, and other budgetary policies or legal requirements?		
	If DPCU collects Occupancy Tax, verify the Session Law authorizing collections by the General Assembly and that the <a href="#">primary government's</a> Board adopted a resolution to levy the tax. Review <a href="#">Memo 2014-08 "Operation and Accounting for DPCU's including TDAs</a> on our website for details on Tourism Development Authorities in NC, their legal and audit requirements including presentation in the <a href="#">primary government's</a> financial statements.		
	<b>Note Disclosures:</b> <b>Statutory and Compliance with Laws, Rules, and Regulations</b>		
	Verify that material violations with legal and contractual provisions or deficit fund balance/net position in individual fund that are not visible on the face of the statement of financial position 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 appropriated a contingency greater than 5% of the total of all other appropriations for that fund, a statutory violation has been disclosed. <i>G.S. 159-13(b)(3).</i>		
	If fund balance appropriated exceeds the statutory limit, this includes enterprise funds, verify that this is reported as a statutory violation. <i>G.S. 159-8(a)</i>		
	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. <i>G.S. 159-26(b)(6)</i>		

<b>Detailed notes on all activities and funds</b>		
Verify that government-wide cash and investments plus any cash and investments carried in fiduciary funds materially equal the cash and investments disclosed in the Deposits and Investments notes. Deposit and Investment disclosures should comply with <i>GASB 40</i> .		
Verify that the investment note discloses interest rate risk, credit risk, custodial credit risk, and concentration of credit risk. If the unit's only investment is with the North Carolina Capital Management Trust Cash Portfolio, look for a statement that states "The unit has no policy regarding credit risk". <i>GASB 40</i>		
Are material receivables described in the notes or on the face of the statements? Do they tie to the Statement of Net Position and Balance Sheet? If receivables are presented in aggregate in the financial statements, there must be detailed presentation in the note disclosures.		
Summary of changes in capital assets including intangible assets for both Governmental Activities & Business-type Activities are disclosed. Capital Assets for Business-type Activities should be separately shown for electric & water and sewer funds.		
Does the schedule of capital assets show the beginning and end of year balances, with accumulated depreciation presented separately from historical costs? The capital acquisitions, sales and other dispositions, and current period depreciation expense, with the amounts charged to each of the functions in the statement of activities?		
Do the notes disclose the method or methods used to compute depreciation for each major class?		
Are material payables described in the notes or on the face of the statements? Do they tie to the Statement of Net Position and Balance Sheet?		
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..		
For Assets Held to Fund LEOSSA: That are not accounted for in a GASB defined pension trust, does the note disclosure clearly indicate this? That are accounted for in a GASB defined trust, has GASB Statement 68 been implemented?		
For counties that participate in LGERS and/or ROD, is the note disclosure for each pension plan complete? Includes all relevant note disclosures for each plan outlined in GASB Statement 68, paragraphs 74-80.		
Have units with separately financed liabilities that have resulted from the purchase of past service included the liability in the long-term liability totals and note disclosure?		
If the liability or pension expense is material to the unit, do the notes include the necessary disclosures, including plan description, on-behalf payment amount, and proportionate share of the liability? Is the Schedule of Proportional Share of Net Pension Liability included in RSI?		
If there is no reference to an actuarial study for the LEO Separation Allowance, has documented prior approval been given for an exemption from that requirement? Units that have deemed the pension liability immaterial to their financial statements and have not had an actuarial study performed should have received a written exemption from the requirement that an actuarial study be performed. Written exemptions will be issued by the SLGFD. If such approval has been granted, there should be no mention of the pension benefit in the financial statements, the notes to the financial statements, or the RSI.		
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 appropriate note disclosure for the Death Benefit Plan is included.		
In reference to GASB Statement No. 73, verify that amounts in the notes, exhibits and RSI are consistent with each other. There should be consistency among amounts in each element of the audit report.		

	There should be no mention of a trust fund for units subject to GASB Statement No. 73 reporting requirements. If assets have been set aside in a trust to pay future pension obligations, the unit should be reporting under GASB Statement No. 68. The notes to the financial statements and RSI should refer to total pension liability. No fiduciary statements should be included.		
	Verify OPEB Note disclosure complies with <i>GASB 74 and 45</i> , including calculation chart, Funding Status, Actuarial Methods and Assumptions disclosures. If OPEB is funded, verify that amounts are included in the fiduciary statements		
	Adequate OPEB Note disclosed including RSI. Unit presents RSI if unit has professional actuarial valuation or an alternative method worksheet was used.		
	Confirm OPEB calculation chart is included and includes an amount for interest if there was a prior year balance.		
	Funding Status & Progress are included for OPEB & Actuarial Methods and Assumptions disclosed.		
	If OPEB is funded, verify that applicable note disclosures required by GASB Statement No. 74 are included. ( <i>GASB No. 74 ¶ 34,35</i> )		
	If the unit has GASB Statement No. 74 disclosures, are there appropriate references to a trust fund? Units are required to report in compliance with GASB Statement No. 74 if the unit has assets set aside to pay future OPEB obligations in a trust fund. If disclosures for GASB Statement No. 74 have been included in the audit report, there should be a fiduciary trust fund presented as well.		
	Long Term Obligation Activity Note: Are liabilities divided between governmental activities and business-type activities and then separated between types of debt (bonds, notes, installment purchases, leases payables, compensated absences, claims and judgments, OPEB, etc.), presentation of beginning and end of year balances (regardless of whether prior-year data are presented on the face of the government-wide financial statements), increases and decreases (separately presented), and current portion of each item (due in one year)? <i>GASB 34 ¶ 119</i> .		
	Does the entity disclose the following details of debt service requirements to maturity: Principal and interest requirements to maturity presented separately, for each of the five subsequent years, and in five year increments thereafter? <i>GASB 38 ¶ 10</i> .		
	Verify that unavailable revenues, deferred inflows of resources and deferred outflows of resources are itemized in the financial statements and clearly disclosed in the notes to the financial statements. If itemized in the notes, are the amounts easily traceable to the financial statements. <i>GASB 63 ¶ 13</i>		
	Verify the county has legally required bonding on the county finance officer and a separate bond on the finance officer for the Discretely Presented Component Unit <u>if applicable</u> (ex: Tourism Development Authority) in addition to bonding on other appropriate employees in compliance with “§ 159-29. Fidelity bonds”. Verify this compliance is disclosed in the risk management note.		
	Review Bond covenants for units with outstanding revenue bonds. <u>Note that revenue bond covenants are not standardized and can vary from bond issue to bond issue.</u> 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. The Audit must also include, either in the notes to the audited financial statements or as a separate report submitted to the SLGFD along with the audit report, a calculation demonstrating compliance with the revenue bond rate covenant. Be aware that any other bond compliance statements or additional reports required in the authorizing bond documents need to be submitted to the SLGFD simultaneously with the Governmental Unit's audited financial statements unless otherwise specified in the bond documents. <i>GASBS 48 ¶21, Memo #1105 and LGC-205Audit contract. Specific note disclosures are not required for legally separate entities that report as stand-alone business-type activities whose operations are financed primarily by a single major revenue source.</i>		

	For counties with Industrial Revenue Bonds (IRB), verify there is a note disclosure indicating the nature of the debt issued by the unit of local government. Note disclosures should include the number of all IRB's outstanding and the amount of debt outstanding. If the amount of debt outstanding is not disclosed, the original debt issue amount should be disclosed. <i>GASB Interpretation No. 2 ¶3</i>		
	If the county has incurred losses in excess of insurance coverage, verify that this is also disclosed in the risk management note.		
	Verify that the amount of Public School Building <i>Capital Fund</i> 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.		
	Interfund balances/payables (Due to) and receivables (Due from) should be disclosed in the notes, including the purpose of the interfund balance and the interfund balances that are not expected to be repaid within one year of the financial statement date. <i>GASBS 38 ¶ 14 and Memo #981</i>		
	Verify that a schedule of interfund transfers is presented as part of the notes, including the amounts transferred between funds and a general description of the principal purpose of each transfer. <i>GASBS 38 ¶ 15 and Memo #981</i>		
	Verify transfers are properly classified and are not actually cost allocations. Interfund services provided and used must be reported as revenues or expenditures in the proper funds with unpaid amounts reported as interfund receivables (due from) or interfund payables (due to). Ex: administrative costs from one fund to another. <i>Memo 2014-07 Proper accounting and treatment for Cost Allocations</i> discusses details on this. <a href="https://www.nctreasurer.com/slg/Memos/2014-07.pdf">https://www.nctreasurer.com/slg/Memos/2014-07.pdf</a> <i>GASB 34 ¶112a(2)</i>		
	For governments that use encumbrance accounting and have significant encumbrances at year end, verify this is disclosed in the notes to the financial statements by major fund and non-major funds in the aggregate. <i>GASBS 54 ¶24</i>		
	Confirm On-behalf payments such as Firefighter & Rescue Pension Fund and Firefighter Relief Pension Funds are clearly described, if the unit has Fire or Rescue Department. (GASB 24)		
	Does the entity make segment disclosures for each identifiable activity (or grouping of activities) reported as or within an enterprise fund accounting and reporting standards; and that has one or more bonds or other debt instruments outstanding; with revenue stream pledged in support of that debt and externally imposed requirements to account for the activity's revenues, expenses, gains and losses, assets, and liabilities separately? Major enterprise funds that meet all the criteria do not qualify as a segment because its data are already presented separately. (GASB 34)		
	Are construction or other significant commitments, claims and judgments, and contingencies disclosed? Debt that a unit is secondarily liable for should be disclosed.		
	Are non-recognizable, subsequent events that occurred after the year end of the reporting period, but prior to the issuance of the financial statement disclosed in order for user understanding the financial statements? Examples of non-recognizable events such as major uninsured loss, issuance of debt, creation of a new component unit, or major casualty loss due to a natural disaster. (GASB 56)		
	Are related party transactions disclosed and include the nature of the relationship, the description of the transaction, the dollar amount of the transaction, and any receivable/payable. (GASB 56)		
	If applicable, verify that jointly governed organizations, joint ventures, and related organizations are properly described.		
	Verify that material prior period adjustments (PPA) or restatements of fund balance or net position are presented in the statements and the notes when applicable and are included as a finding in the compliance reports if appropriate. <i>AU-C 265</i>		
	<b>Required Supplementary Information and Schedules</b>		
	Local Law Enforcement Officers' Special Separation Allowance (LEO): Is there a Schedule of Funding Progress that shows all the required information (actuarial valuation date, value of assets, accrued liability (AAL)-projected unit credit, unfunded AAL (UAAL), funded ratio, covered payroll, and UAAL %) of covered payroll? Is information presented for the recent valuation plus two preceding valuations (unless the aggregate		

	actuarial method was used)? Is a Schedule of Employer contribution presented if required?		
	LEO: Do the amounts reported as Annual Required Contribution in the notes tie to the amount reported in Schedule of Employer Contribution?		
	Other Post Employment Benefit (OPEB): Is there a Schedule of Funding Progress that shows all the required information (actuarial valuation date, value of assets, accrued liability (AAL)-projected unit credit, unfunded AAL (UAAL), funded ratio, covered payroll, and UAAL %) of covered payroll? Is information presented for the recent valuation plus two preceding valuations (unless the aggregate actuarial method was used)? Is a Schedule of Employer contribution presented if required?		
	OPEB: Do the amounts reported as Annual Required Contribution in the notes tie to the amounts reported in Schedule of Employer Contribution?		
	If applicable, is RSI included – For LGERS, Schedule of Proportionate Share of Net Pension Liability (Asset) Schedule of Contributions.		
	For participants in the Firefighters’ and Rescue Squad Workers’ Plan- Is the Schedule of Proportional Share of Net Pension Liability included in RSI?		
	<b>Supplementary Information and Schedules</b>		
	Combining statements are presented for all non-major funds and major funds and amounts tie to the basic financial statements.		
	Check amounts and funds presented as individual statements and compare to the combining statements and see if total amounts agree.		
	Budgetary comparison statements are presented for each fund presented and ties to operating statement. Budgetary statements could be in the form of project ordinances or annually budgeted.		
	For participants in the Firefighters’ and Rescue Squad Workers’ Plan-Have on-behalf payments paid by the State been included in the supplemental schedules?		
	Verify that the financial plan for an internal service fund is presented as if it were a budget. <i>G.S. 159-13.1</i>		
	Verify that expenditures were not appropriated in the Capital Reserve Fund. North Carolina law specifies a capital reserve fund may only be used to accumulate financial resources for ongoing or future capital projects. Transfers to other funds are the only types of appropriation that may be made in a capital reserve fund <i>G.S. 159-22</i> .		
	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.		
	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 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 also that the enterprise fund capital projects funds are reconciled / consolidated correctly. (Check sales tax, grant / interest income, and the elimination of transfers between operating and capital project funds).		
	Verify that a statement/schedule is included for enterprise funds and multi-year capital project funds, showing budget to actual performance 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. <i>GASB 34</i>		
	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 Position – 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 capital contributions.		
	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 governmental capital project fund.		
	Verify that fines/ forfeitures and supplemental school taxes are presented in agency funds.		
	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. (LGC Requirement)		

	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). (LGC Requirement)		
	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> .		