

**GOVERNMENT FINANCE OFFICERS ASSOCIATION**  
**CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN**  
**FINANCIAL REPORTING**

**PENSION AND OTHER POSTEMPLOYMENT BENEFIT SYSTEM**  
**CASH AND INVESTMENT POOLS**  
**PREPARER CHECKLIST**

This checklist is intended for comprehensive annual financial reports (CAFRs) prepared by pension and other postemployment benefit systems (system) and by cash and investment pools (pool). It is available in electronic form at GFOA's website ([www.gfoa.org](http://www.gfoa.org)) under the heading *Award Programs* in the *Certificate of Achievement for Excellence in Financial Reporting* section.

**ADDITIONAL MATERIAL RELATED TO RECENT GASB PRONOUNCEMENTS**

The checklist covers all Governmental Accounting Standards Board (GASB) pronouncements that have been issued as final documents. It includes the changes necessary because of GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. For a system that is not yet required to implement and has not early implemented GASB Statement No. 43 and/or GASB Statement No. 45, the relevant questions are included in Part 1 of the *Checklist Supplement* following section 19. A system that early implements or is planning for the implementation of Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, should refer to Part 2 of the *Checklist Supplement* for the changes necessary because of that pronouncement.

The checklist is designed to provide comprehensive guidance for financial statement preparers. The use of this checklist, however, does not guarantee that a given CAFR will be awarded the Certificate of Achievement for Excellence in Financial Reporting.

This particular checklist combines two different sets of elements:

- *Questions from the general-purpose government checklist relevant to a system or pool.* One important reason that a separate checklist is needed is that many of the questions on the general-purpose government checklist are not relevant to most systems and pools. Accordingly, this checklist includes only those items from the general-purpose government checklist that are relevant to a postemployment benefit system or pool. For administrative purposes, the same numbering is retained in both checklists for identical items. Accordingly, breaks in the numerical sequence of the items presented in this checklist simply reflect the omission of items deemed less relevant to a system or pool.
- *Questions unique to a system or pool.* A second reason that a separate system checklist is needed is to provide additional questions to address unique aspects of a system's or pool's reporting (e.g., the investment section). These items are distinguished from those drawn from the general-purpose government checklist by the presence of the letter "P" immediately preceding the number of the item **and by the use of shading**. Sections of the checklist that are only applicable to systems (e.g., the actuarial section) are identified as such directly under the heading for the section. Questions and italicized comments that ask whether a "system (pool)" has met specific requirements are applicable to both types of entities. Also, questions that include a reference to the "system (pool)" are applicable to both entities. If a question or italicized comment asks only about a "system," it is not applicable to a pool. Conversely, if a question or italicized comment asks only about a "pool," it is not applicable to a system.

Indentation indicates that a given question is dependent upon a positive response to the preceding question. Accordingly, preparers need not consider the indented questions if the answer to the lead-in question is not positive.

Compliance with certain requirements of generally accepted accounting principles (GAAP) cannot be determined simply by examining a financial report. Questions about such items have been omitted from this checklist, except in those cases where answers to questions in Section IV of the Certificate Program Application Form provide the background needed to respond meaningfully. A plus sign (+) indicates those specific questions for which needed information should be available on the application form. Questions without references are based upon formal program policies established by the Special Review Executive Committee, which oversees the operations of the Certificate of Achievement for Excellence in Financial Reporting Program. Additionally, information has been provided in the form of *italicized* comments for GAAP requirements not addressed in the questions. If this guidance is applicable, it must be implemented.

An asterisk (\*) designates specific items that of themselves may disqualify a CAFR from being awarded the Certificate of Achievement for Excellence in Financial Reporting. Other items also may disqualify a report from receiving the Certificate. Clarification of certain items can be found in an explanation that immediately follows the related checklist question or italicized comment.

This checklist is designed exclusively for systems comprising one or more pension (and other employee benefit) trust funds or agency funds for OPEB plans without a trust and for pools with one or more investment trust funds. Systems with more complicated fund structures should use the general-purpose government checklist along with the shaded items from this checklist. It is presumed, for simplicity's sake, that systems or pools do not have component units, capital assets, or long-term liabilities. If a system or pool does, in fact, have one or more component units, capital assets, or long-term liabilities, it should refer to the relevant questions in the general-purpose government checklist.

The CAFR will be graded on the following categories, when applicable to the system or pool:

- Cover, table of contents, and formatting
- Introductory section
- Report of the independent auditor
- Management's discussion and analysis (MD&A)
- Basic financial statements (preliminary considerations)
- Statement of plan (pool) net assets
- Statement of changes in plan (pool) net assets
- Summary of significant accounting policies (SSAP)
- Note disclosure (other than the SSAP)
- Pension and other postemployment benefit-related note disclosures (postemployment benefit system only)
- Required supplementary information (RSI) (postemployment benefit system only)
- Supplementary information
- Investment section
- Actuarial section (postemployment benefit system only)
- Statistical section
- Other considerations

### Abbreviations Used in this Checklist

APB	-	Accounting Principles Board Opinion
<i>Audits of State and Local Governments</i>	-	<i>Audits of State and Local Governments</i> , American Institute of Certified Public Accountants, May 2007
FASB - I	-	Financial Accounting Standards Board Interpretation
FASB - S	-	Financial Accounting Standards Board Statement
2005 GAAFR	-	<i>Governmental Accounting, Auditing, and Financial Reporting</i> , GFOA 2005
GAAFR Review	-	<i>GAAFR Review</i> , GFOA's Monthly Newsletter on Governmental Accounting, Auditing, and Financial Reporting
GASB - I	-	GASB Interpretation
GASB - S	-	GASB Statement
GASB - TB	-	GASB Technical Bulletin
Q&A	-	<i>2007-2008 Comprehensive Implementation Guide - GASB</i>
NCGA - I	-	National Council on Governmental Accounting Interpretation
NCGA - S	-	National Council on Governmental Accounting Statement

All references listed above, except those for “2005 GAAFR,” “GAAFR Review,” “Q&A,” and *Audits of State and Local Governments*, are followed by the number of the pronouncement, if applicable, and the specific paragraph(s), footnote(s), or appendix (appendices) within the publication that is being referenced. The references to “2005 GAAFR” and “GAAFR Review” are to pages in those publications. For “Q&A,” the references are to the applicable chapters and questions in that publication. For *Audits of State and Local Governments*, the references are to the chapters and specific paragraphs.

Yes No N/A

## ***COVER, TABLE OF CONTENTS, AND FORMATTING***

- \_\_\_\_ \_\_\_\_ \_\_\_\_ 1.1 Does the report cover describe the document as a *comprehensive annual financial report*? [2005 GAAFR, page 285]
- \_\_\_\_ \_\_\_\_ \_\_\_\_ 1.2 Does the report cover include the name of the system (pool)?
- \_\_\_\_ \_\_\_\_ \_\_\_\_ 1.3 Does the report cover include some indication of the state in which the system (pool) is located? [2005 GAAFR, page 286]
- \_\_\_\_ \_\_\_\_ \_\_\_\_ 1.4 Does the report cover indicate the fiscal period covered? [2005 GAAFR, page 286]

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

- \_\_\_\_ \_\_\_\_ \_\_\_\_ P1.1 **If the system (pool) is a trust fund, internal investment pool, or component unit of another government, does the report cover indicate that fact (e.g., “a pension trust fund of the City of X” or “an investment trust fund of the State of Y”)?**
- \_\_\_\_ \_\_\_\_ \_\_\_\_ 1.5 Is there a title page? [2005 GAAFR, page 286] If so:
- \_\_\_\_ \_\_\_\_ \_\_\_\_ 1.5a Does it describe the document as a *comprehensive annual financial report*? [2005 GAAFR, page 286]
- \_\_\_\_ \_\_\_\_ \_\_\_\_ 1.5b Does it indicate the fiscal period covered? [2005 GAAFR, page 286]
- \_\_\_\_ \_\_\_\_ \_\_\_\_ 1.5c Does it include the name of either the individual or the department responsible for preparing the report? [2005 GAAFR, page 286]

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

- \_\_\_\_ \_\_\_\_ \_\_\_\_ 1.5d Does the title page include some indication of the state in which the system (pool) is located? [2005 GAAFR, page 286]
- \_\_\_\_ \_\_\_\_ \_\_\_\_ P1.2 **If the system (pool) is a trust fund, an internal investment pool, or component unit of another government, does the title page indicate that fact (e.g., “a pension trust fund of the City of X” or “an investment trust fund of the State of Y”)?**
- \_\_\_\_ \_\_\_\_ \_\_\_\_ 1.6\* Is a table of contents included that encompasses the entire report? [NCGA-S1: 139; 2005 GAAFR, page 286] If so:
- \_\_\_\_ \_\_\_\_ \_\_\_\_ 1.6a Does it clearly segregate each of the five basic sections of the report (i.e., introductory section, financial section, investment section, actuarial section – systems only, and statistical section)? [2005 GAAFR, page 286]
- \_\_\_\_ \_\_\_\_ \_\_\_\_ 1.6b\* Does it present the introductory section and the financial section as the first and second sections, respectively, and the statistical section as the last of the required sections of the report?

Explanation: It is Certificate Program policy that the introductory and financial sections be presented as the first and second sections and the statistical section be presented as the last of the required sections of the CAFR.

- \_\_\_\_ \_\_\_\_ \_\_\_\_ 1.6c Does it clearly distinguish the basic financial statements (including the notes) from RSI and the other contents of the financial section? [2005 GAAFR, page 286]

Yes No N/A

- |       |       |       |      |  |
|-------|-------|-------|------|--|
| _____ | _____ | _____ | 1.6d | Does it identify each statement and schedule by its full title? [2005 GAAFR, page 286] |
| _____ | _____ | _____ | 1.6e | Does it include a page number reference for each item? [2005 GAAFR, page 286]          |

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

- |       |       |       |       |   |
|-------|-------|-------|-------|---|
| _____ | _____ | _____ | P1.3* | Does the CAFR contain only one introductory, financial, investment, actuarial (if applicable), and statistical section? |
|-------|-------|-------|-------|---|

Explanation: A system managing several different plans should refrain from reporting a series of separate, sequential reports. Likewise, a pool managing more than one cash and investment pool should refrain from reporting a series of separate, sequential reports.

- |       |       |       |      |   |
|-------|-------|-------|------|---|
| _____ | _____ | _____ | 1.7  | If a statement or schedule occupies more than a single pair of facing pages, does the statement or schedule alert readers to this fact by including the word “continued” on the first pair of facing pages, as well as on each subsequent pair of facing pages? |
| _____ | _____ | _____ | 1.8  | Does each page have a page number?  |
| _____ | _____ | _____ | 1.9  | Are text and numbers throughout the report easily readable?   |
| _____ | _____ | _____ | 1.10 | Has the system (pool) refrained from reporting cents?   |
| _____ | _____ | _____ | 1.11 | If numbers are rounded to the nearest thousand or million, is this fact clearly indicated?  |

## ***INTRODUCTORY SECTION***

### **GENERAL CONSIDERATIONS**

- |       |       |       |     |  |
|-------|-------|-------|-----|--|
| _____ | _____ | _____ | 2.1 | If the system (pool) received the Certificate of Achievement for Excellence in Financial Reporting in the immediately preceding fiscal year, is a copy of that award included somewhere within the introductory section? [2005 GAAFR, pages 286-7] |
| _____ | _____ | _____ | 2.2 | Are the principal officials of the system (pool) listed somewhere within the introductory section, including members of the administrative board and key members of the administrative staff? [2005 GAAFR, page 287]                               |

Explanation: For this purpose, the individuals listed may be those in place during the fiscal year, those in place at the time the report is issued, or some combination of both.

- |       |       |       |      |  |
|-------|-------|-------|------|--|
| _____ | _____ | _____ | 2.3  | Is an organization chart or other discussion of the administrative organization included somewhere within the introductory section? [2005 GAAFR, page 287]   |
| _____ | _____ | _____ | P2.1 | Does the organization chart (or other discussion of the administrative organization) inform readers of the specific location within the investment section where information can be found regarding investment professionals who provide services to the system (pool) (i.e., the Schedule of Fees and Commissions)? |
| _____ | _____ | _____ | P2.2 | Is a list of professional consultants (other than investment professionals) included within the introductory section?  |

## **LETTER OF TRANSMITTAL**

Yes No N/A  
 \_\_\_\_\_

2.4\* Is a letter of transmittal included within the introductory section? [NCGA-S1: 139; 2005 GAAFR, page 287] If so:

\_\_\_\_\_ 2.4a Is it presented on the letterhead stationery of the system (pool)? [2005 GAAFR, page 290]

\_\_\_\_\_ 2.4b Is it dated on or after the date of the independent auditor's report? [2005 GAAFR, page 290]

\_\_\_\_\_ 2.4c Is it signed by at least the chief financial officer? [2005 GAAFR, page 290]

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

\_\_\_\_\_ 2.4d Does it state that management is responsible for the contents of the report? [2005 GAAFR, page 288]

\_\_\_\_\_ 2.4e Does it include background information on the system (pool)?

Explanation: The background information for a pool should include the following: 1) a discussion of the pool's history, 2) a discussion of the pool's participants, 3) the services provided by the pool, and 4) a description of the pool.

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

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

\_\_\_\_\_ 2.4h Does the letter of transmittal direct readers to MD&A? [2005 GAAFR, page 288]

\_\_\_\_\_ 2.4i Has the system (pool) refrained from duplicating information contained in MD&A or in the notes to the financial statements? [GASB-S34: 8, note 7; Q&A 7.5.2; 2005 GAAFR, page 287]

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

\_\_\_\_\_ P2.3 Does the letter of transmittal discuss major initiatives involving investments, benefits, or administration?

\_\_\_\_\_ P2.4 Does it discuss funding status and progress toward achieving funding goals?

Explanation: The discussion in the letter of transmittal ought to communicate the information in less technical terms than in the other sections of the CAFR.

\_\_\_\_\_ P2.5 Does it include financial information for investment activities that includes investment policies and strategies, safeguards on investments, and yield information?

Explanation: The letter of transmittal for a pool should include 1) the pool's current and future goals and objectives, 2) a statement referring to the reliability of the investment section, and 3) the basis used to present data in the investment section.

## ***FINANCIAL SECTION – REPORT OF THE INDEPENDENT AUDITOR***

Yes No N/A  
 \_\_\_\_\_

3.1\* Are the basic financial statements accompanied by the report of the independent auditor? [2005 GAAFR, page 290]

\_\_\_\_\_

3.2 Is the report of the independent auditor presented as the first item in the financial section of the report? [2005 GAAFR, page 290]

\_\_\_\_\_

3.3 Did the independent auditor conduct the audit in conformity with either generally accepted auditing standards or generally accepted government auditing standards (i.e., *Government Auditing Standards*)? [2005 GAAFR, page 315]

\_\_\_\_\_

3.4 Did the independent auditor express an opinion on the fair presentation of the basic financial statements in conformity with GAAP?

\_\_\_\_\_

3.5\* Did the independent auditor express an *unqualified* opinion on the fair presentation of the basic financial statements? [2005 GAAFR, page 315]

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

\_\_\_\_\_

3.7 Did the independent auditor refrain from indicating that RSI is either absent or otherwise potentially inadequate?

\_\_\_\_\_

3.8 Did the independent auditor sign and date the report?

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

\_\_\_\_\_

4.1\* Is MD&A presented? [GASB-S34: 68; 2005 GAAFR, page 290] If so:

\_\_\_\_\_

4.1a\* Is MD&A presented preceding the basic financial statements? [GASB-S34: 8; Q&A 7.5.1; 2005 GAAFR, page 290]

\_\_\_\_\_

4.1c Does MD&A provide condensed financial data extracted from the basic financial statements? [GASB-S34: 11b; 2005 GAAFR, page 292]

Explanation: The condensed data should include:

- Total assets
- Total liabilities
- Total net assets
- Additions (by major source)
- Total additions
- Deductions (by type)
- Total deductions
- Changes in net assets
- Ending net assets

\_\_\_\_\_

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

\_\_\_\_\_

P4.1 If comparative financial statements are presented, does MD&A provide condensed financial data for three years (i.e., the current year, the previous year, and the year preceding the previous year)?

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

Yes No N/A

\_\_\_\_\_ 4.1e Does MD&A provide an overall analysis of the financial position and results of operations of the system (pool)? [GASB-S34: 11c; 2005 GAAFR, page 293]

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

\_\_\_\_\_ 4.1e1 Does it specifically address whether the overall financial position of the system (pool) has improved or deteriorated? [GASB-S34: 11c; 2005 GAAFR, page 293]

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

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

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

Explanation: “*Currently known facts, conditions, or decisions*” are those known by management as of the date of the independent auditor’s report. The emphasis is on things that have actually happened rather than on things that might happen.

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

\_\_\_\_\_ 4.1k Has the system (pool) refrained from addressing in MD&A topics not specifically prescribed by SGAS 34? [GASB-S37: 4-5; 2005 GAAFR, page 292]

Explanation: A system (pool) may address in the MD&A only those topics specifically identified in SGAS 34, paragraph 11. These topics are summarized in questions 4.1c - 4.1e1 of this checklist. A system (pool) is free, however, to provide whatever level of detail they believe appropriate in addressing these particular topics.

## ***FINANCIAL SECTION – BASIC FINANCIAL STATEMENTS***

### **PRELIMINARY CONSIDERATIONS**

\_\_\_\_\_ 5.1\* Is a full set of basic financial statements presented (i.e., both a statement of plan (pool) net assets and a statement of changes in plan (pool) net assets)? [GASB-S34: 106; GASB-S43: 17; 2005 GAAFR, page 34]

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

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

\_\_\_\_\_ 5.4 Does each basic financial statement include a reference to the notes? [2005 GAAFR, page 295]

\_\_\_\_\_ 5.6\* Has the system (pool) refrained from making direct adjustments to *net assets* except in those situations specifically contemplated by GAAP? [*Audits of State and Local Governments* 10.02; 2005 GAAFR, pages 282-3]



Yes No N/A

Explanation: The statement of changes in plan (pool) net assets must be presented using an *all-inclusive format*. That is, *all* changes to *net assets* normally should be reported as *either additions or deductions* rather than as direct adjustments to *net assets*. Two exceptions to this general rule are prior-period adjustments and changes in accounting principle.

\_\_\_\_\_ 5.7\* Do the financial statements articulate (i.e., tie)?

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

Explanation: Securities lent (i.e., underlying securities) should continue to be reported as assets on the lender’s statement of plan (pool) net assets. Cash received as collateral on securities lending should also be reported as an asset, with a corresponding liability. Securities received as collateral should be reported as assets, with corresponding liabilities, only if the entity has the ability to pledge or sell the securities without a borrower default. Letters of credit and securities that the entity cannot sell or pledge unless the borrower defaults should not be reported as assets.

*Both an asset and a liability should be reported for reverse repurchase agreements, except for those of the yield-maintenance variety.* [GASB-S3: 81; 2005 GAAFR, page 249]

\_\_\_\_\_ 7.2 Do interfund receivables equal interfund payables?

\_\_\_\_\_ 7.3 Do transfers between funds equal?

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

\_\_\_\_\_ P7.1\* If the system administers more than one benefit plan, does it either 1) present a separate column for each plan administered in both of the basic financial statements or 2) present combining statements for those plans as part of the basic financial statements? [GASB-S34: 140; GASB-S43: 13; Q&A 8.71.3: 223; 2005 GAAFR, page 347]

Explanation: This requirement does *not* apply to individual plans within an agent multiple-employer benefit plan.

\_\_\_\_\_ P7.2 Has the system refrained from reporting healthcare benefits for retirees in the same fund as pension benefits? [Q&A 8.71.3, 8.71.4, and 8.71.5]

Explanation: Even if the participants make a single contribution to the plan and the plan’s ability to provide healthcare benefits is conditioned on its ability to maintain sound funding of the pension benefits, the system should separately report the defined benefit pension plan and the OPEB plan.

If a defined benefit pension plan administers a postemployment healthcare plan that is funded by "excess investment earnings" (investment earnings for a particular year in excess of the long-term investment earnings assumption used for actuarial valuation purposes), the system should report the arrangement described as two plans—a defined benefit pension plan and a postemployment healthcare (OPEB) plan.

\_\_\_\_\_ P7.3\* In the case of a multiple-employer OPEB plan where the assets are not held in trust or an equivalent arrangement, has the system reported the OPEB plan in an agency fund? [GASB-S43: 41; Q&A 8.69.2; 2005 GAAFR, page 346]

Explanation: In this case, the assets of the OPEB plan should be reported in an agency fund as they still belong to the participating employers. Accordingly, plan assets in excess of related liabilities are reported as liabilities to the employers rather than as net assets of the plan, consistent with the fact that agency funds do not report equity. Such plans should also include abbreviated disclosures for the plan description, a summary of significant accounting policies, and contributions. Additionally, the plans should disclose that each participating employer must disclose information about its funding policy, annual OPEB cost and contributions made, the funded status and funding progress of the employer’s individual plan, and the actuarial methods and assumptions used.

Yes No N/A

**[SECTIONS 8 AND 9 HAVE BEEN OMITTED FROM THIS CHECKLIST]**

**STATEMENT OF PLAN (POOL) NET ASSETS**

- \_\_\_\_ \_\_\_\_ \_\_\_\_ 10.6 Are assets reported by major category? [2005 GAAFR, page 195]
- \_\_\_\_ \_\_\_\_ \_\_\_\_ 10.6a Are the principal subdivisions of receivables and investments of postemployment benefit plans reported? [GASB-S25: 21; GASB-S43: 19; 2005 GAAFR, page 195]
- The plan should refrain from reporting allocated insurance contracts as plan assets. [GASB-S25: 24; GASB-S43: 22; 2005 GAAFR, page 333]*
- The plan should refrain from including benefits payable from allocated insurance contracts (for which payments to the insurance company have been made) as plan liabilities. [GASB-S25: 26; GASB-S43: 24; 2005 GAAFR, page 333]*
- \_\_\_\_ \_\_\_\_ \_\_\_\_ P10.1\* Are investments reported at fair value, except as otherwise permitted by GAAP? [GASB-S25: 24; GASB-S31: 16; GASB-S43: 23; 2005 GAAFR, pages 244 and 352]
- \_\_\_\_ \_\_\_\_ \_\_\_\_ 10.7 Is the difference between assets and liabilities reported as *net assets*? [GASB-S34: 108; 2005 GAAFR, page 195]
- \_\_\_\_ \_\_\_\_ \_\_\_\_ 10.7a If a pension plan is reported, are appropriate amounts identified as *net assets held in trust for pension benefits*? [GASB-S25: 27; 2005 GAAFR, page 195]
- \_\_\_\_ \_\_\_\_ \_\_\_\_ 10.7b If an OPEB plan is reported, are appropriate amounts identified as *net assets held in trust for OPEB benefits*? [GASB-S43: 25; 2005 GAAFR, page 348]
- \_\_\_\_ \_\_\_\_ \_\_\_\_ P10.2 If the system reports a pension plan, is there a parenthetical reference to the plan's schedule of funding progress following the caption *net assets held in trust for pension benefits*? [GASB-S25: 27; 2005 GAAFR, page 333]
- \_\_\_\_ \_\_\_\_ \_\_\_\_ P10.3 For pools, is a line item reported for *net assets held in trust for pool participants*? [GASB-S31: 18; 2005 GAAFR, page 195]
- \_\_\_\_ \_\_\_\_ \_\_\_\_ 10.8 Do assets equal liabilities in agency funds? [GASB-S34: 110; 2005 GAAFR, page 195]
- \_\_\_\_ \_\_\_\_ \_\_\_\_ 10.9 Has the system refrained from reporting the actuarial accrued liability? [GASB-S25: 19a; 2005 GAAFR, page 195]

**STATEMENT OF CHANGES IN PLAN (POOL) NET ASSETS**

- \_\_\_\_ \_\_\_\_ \_\_\_\_ 10.10 Is the statement segregated into two sections: *additions* and *deductions*? [GASB-S34: 109; GASB-S43: 26; 2005 GAAFR, page 196]

Explanation: The categories *additions* and *deductions* are significantly broader than *revenues* and *expenses*. While some *additions* may properly be categorized as *revenues* and some *deductions* as *expenses*, others may not. Accordingly, financial statement preparers are advised to avoid the use of the terms *revenues* and *expenses* as much as possible in conjunction with the statement of changes in plan (pool) net assets.

- \_\_\_\_ \_\_\_\_ \_\_\_\_ 10.11 For a system, are additions classified into the following four categories, as appropriate: *employer contributions, plan member contributions, other contributions, and net investment income*? [GASB-S25: 29; GASB-S43: 27; GASB-TB2006-1; 10; 2005 GAAFR, page 196]

Yes No N/A

Explanation: The plan should display on-behalf payments from the federal government under the provisions of Medicare Part D separately from the employer and plan member contributions.

\_\_\_\_ \_\_\_\_ \_\_\_\_ 10.11a Does the system (pool) report investment-related expense as a separate line item that reduces investment income (instead of as a deduction)? [GASB-S25: 29d; GASB-S43: 27d; 2005 GAAFR, page 333, note 63]

*Additions and deductions related to securities lending transactions agreements should be reported at gross, rather than net, amounts. [GASB-S28: 8; GASB-S3: 82; 2005 GAAFR, page 249]*

*Additions and deductions related to reverse repurchase agreements should be reported at gross, rather than net, amounts. [GASB-S28: 8; GASB-S3: 82; 2005 GAAFR, page 249]*

\_\_\_\_ \_\_\_\_ \_\_\_\_ 10.12 Has the system refrained from reporting realized investment gains or losses separately from unrealized investment gains and losses? [GASB-S31: 13; 2005 GAAFR, page 334]

Explanation: Pools may display realized and unrealized gains and losses on the face of the statement of changes in fiduciary net assets. Postemployment benefit systems may only disclose realized and unrealized gains and losses in the notes to the financial statements.

\_\_\_\_ \_\_\_\_ \_\_\_\_ 10.13 For a system, does the deductions section include separate amounts for 1) benefits and refunds paid to plan members and beneficiaries and 2) total administrative expenses? [GASB-S25: 30; GASB-S43: 28; 2005 GAAFR, page 196]

\_\_\_\_ \_\_\_\_ \_\_\_\_ 10.14 Has the system (pool) refrained from including agency funds? [GASB-S34: 110; 2005 GAAFR, page 196]

\_\_\_\_ \_\_\_\_ \_\_\_\_ P10.4 Has the system refrained from reporting its administrative expenses in a separate fund? [GASB-S25: 2; Q&A 5.108]

Explanation: Since the focus of SGAS 25 is on individual pension plans, all administrative expenses related to a plan should be reported in the same pension (and other employee benefit) trust fund that reports the plan. Administrative expenses may be allocated to individual pension plans in any systematic and rational manner that is consistently applied over time.

## ***FINANCIAL SECTION – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (SSAP)***

\_\_\_\_ \_\_\_\_ \_\_\_\_ 11.1\* Does the system (pool) present a SSAP either as the first of the notes to the financial statements or as a separate item immediately preceding the notes? [NCGA-S1: 158; 2005 GAAFR, page 199]

*Among other matters, the SSAP should address any of the following situations: 1) the selection of an accounting treatment when GAAP permit more than one approach, 2) accounting practices unique to systems (pools) and the public sector, and 3) unusual or innovative applications of GAAP. [APB 22: 12; 2005 GAAFR, pages 199-200]*

\_\_\_\_ \_\_\_\_ \_\_\_\_ 11.4+ If the system (pool) itself is a component unit, does the SSAP identify the primary government and describe the nature of the relationship? [GASB-S14: 65; 2005 GAAFR, page 200]

\_\_\_\_ \_\_\_\_ \_\_\_\_ P11.1 If the system reports one or more defined benefit plans, does the SSAP disclose the basis of accounting for the plan(s) (e.g., timing of contribution recognition, benefits, refunds)? [GASB-S25: 32; GASB-S43: 30b(1); 2005 GAAFR, page 334]

Yes    No    N/A  
 \_\_\_\_\_

11.14 Does the SSAP indicate how investments are valued? [APB 22: 12; 2005 GAAFR, page 204]

\_\_\_\_\_

P11.2 If the pool itself is a purely internal investment pool (i.e., includes amounts only for the related primary government’s financial reporting entity), does the SSAP describe how the governing body has legally defined the pool?

\_\_\_\_\_

P11.3 Does the SSAP disclose the method used to determine the fair value of investments? [GASB-S25: 32 and 41; GASB-S31: 15; GASB-S43: 30b(2); 2005 GAAFR, page 334]

\_\_\_\_\_

P11.4 If the fair value is based on other than quoted market prices, has the system (pool) disclosed the methods and significant assumptions used to estimate the fair value of investments? [GASB-S25: 32 and 41; GASB-S31: 15; GASB-S43: 30b(2) and 42; GASB-S50: 5; 2005 GAAFR, page 334]

*If the system (pool) takes advantage of the option to report certain investments at amortized cost rather than at fair value, the SSAP should indicate the specific types of investments so valued. [2005 GAAFR, page 204]*

*If the system (pool) must estimate the fair value of its position in a governmental external investment pool, the SSAP should disclose both the methods and significant assumptions used for making the estimate and the reason an estimate was needed. [GASB-S31: 15e; 2005 GAAFR, page 204]*

\_\_\_\_\_

P11.5 Does the SSAP of a pool include the note disclosures required in the separate report of a pool? [GASB-S31: 17; 2005 GAAFR, pages 352-353]

**Explanation:** These disclosures include 1) a brief description of any regulatory oversight (including whether the pool is registered with the SEC as an investment company); 2) the frequency of determining the fair value of investments; 3) the method used to determine participants’ shares sold and redeemed and whether that method differs from the method used to report investments; 4) whether the pool provides or has obtained any legally binding guarantees of share values; 5) the extent of involuntary participation, if any, in the pool; 6) a summary of fair value, carrying amount (if different), number of shares and principal amount, ranges of interest rates, and maturity dates of each major investment classification; and 7) the accounting policy for determining those components income (e.g., interest, dividends, net increase or decrease in fair value) if the pool separately displays the different components of investment on the statement of changes in net assets.

## ***FINANCIAL SECTION – NOTE DISCLOSURES (OTHER THAN THE SSAP)***

\_\_\_\_\_

12.2 Do the notes disclose the legal and contractual provisions governing cash deposits with financial institutions? [GASB-S3: 65-66; 2005 GAAFR, pages 206-9]

*The notes should disclose material violations of these provisions. [GASB-S3: 66; 2005 GAAFR, page 224]*

*If the system (pool) is exposed to custodial credit risk for its deposits at year end because they are uninsured and 1) uncollateralized, 2) collateralized with securities held by the pledging financial institution, or 3) collateralized with securities held by the pledging financial institution’s trust department or agent but not in the depositor-system’s (pool’s) name, the notes should disclose the amount of the bank balances exposed to custodial credit risk, indicate that they are uninsured, and explain how they are exposed to custodial credit risk. [GASB-S40: 8; 2005 GAAFR, page 207]*

Yes No N/A

Explanation: GAAP formerly required that the bank balance of deposits with financial institutions be categorized into three categories of custodial credit risk. SGAS 40 now requires that only the amount (if any) of uninsured deposits that are either 1) uncollateralized, 2) collateralized with securities held by the pledging financial institution, or 3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-system's (pool's) name, be disclosed.

\_\_\_\_\_ 12.3 Do the notes disclose the system's (pool's) policy for custodial credit risk associated with deposits or indicate that it does not have such a policy? [GASB-S40: 6; 2005 GAAFR, page 207]

*When a system's (pool's) deposits are exposed to foreign currency risk, the notes should disclose the system's (pool's) policy related to foreign currency risk or indicate there is no applicable policy. [GASB-S40: 6; 2005 GAAFR, page 207]*

*Losses on deposits and subsequent recoveries should be disclosed if not visible in the financial statements themselves. [GASB-S3: 75; 2005 GAAFR, pages 206-7]*

*If the system participates in an external investment pool and the pool is not registered with the Securities and Exchange Commission, the notes should disclose the nature of any regulatory oversight of the pool and state whether the fair value of its position in the pool is the same as the value of the pool shares. [GASB-S31: 15c; 2005 GAAFR, page 209]*

\_\_\_\_\_ 12.4 If the system (pool) has elected to separately disclose realized and unrealized gains and losses on investments in the notes, has it indicated 1) that the calculation of realized gains and losses is independent of the calculation of the change in the fair value of investments, and 2) that realized gains and losses of the current period include unrealized amounts from prior periods? [GASB-S31: 15; 2005 GAAFR, page 209]

Explanation: If a pool separately displays realized gains and losses on the statement of changes in net assets, it should include these same disclosures.

\_\_\_\_\_ 12.5 Do the notes disclose the legal and contractual provisions governing investments? [GASB-S3: 65-66; 2005 GAAFR, page 210]

Explanation: The system (pool) may disclose that it follows the prudent person rule.

*The notes should disclose material violations of these provisions. [GASB-S3: 66; 2005 GAAFR, page 224]*

*If the system (pool) is exposed to custodial credit risk for its investments evidenced by securities at year end because they are neither insured nor registered and they are held by either 1) the counterparty or 2) the counterparty's trust department or agent but not in the system's (pool's) name, the notes should disclose the amount of investments exposed to custodial credit risk, indicate that they are neither insured nor registered, and explain how they are exposed to custodial credit risk. [GASB-S40: 8-9; 2005 GAAFR, page 210]*

Explanation: GAAP formerly required that the balance of investments evidenced by securities be categorized into three categories of custodial credit risk. SGAS 40 now requires only that the amount (if any) of uninsured and unregistered investments evidenced by securities that are held by either 1) the counterparty or 2) the counterparty's trust department or agent but not in the system's (pool's) name, be disclosed.

\_\_\_\_\_ 12.6 Has the system (pool) refrained from including any such investments that are not subject to custodial credit risk because they are *not* evidenced by securities? [GASB-S40: 9; 2005 GAAFR, pages 210-1]

Yes No N/A

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

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

Explanation: A system (pool) generally should disclose the risks related to its deposits and investments for the system as a whole. However, disclosure by an individual fund would be necessary if risk exposure were significantly greater for this fund than for the system as a whole.

\_\_\_\_\_ 12.7 Do the notes disclose the credit ratings (or explain that credit ratings are not available) for investments in debt securities (other than debt issued by or explicitly guaranteed by the U.S. government), as well as for positions in external investment pools, money market funds, bond mutual funds, and other pooled investments of fixed-income securities? [GASB-S40: 7; 2005 GAAFR, pages 212-4]

\_\_\_\_\_ 12.7a Do the notes use one of five approved methods (i.e., segmented time distribution, specific identification, weighted average maturity, duration, or simulation model) to disclose interest rate risk for positions in fixed-rate debt securities? [GASB-S40: 14-15; 2005 GAAFR, pages 214-6]

Explanation: The method selected for disclosing interest rate risk should be the one most consistent with how the system (pool) manages that risk.

*The notes should disclose any assumptions used in the disclosure of interest rate risk (e.g., timing of cash flows, interest rate changes, or other factors that affect interest rate risk). [GASB-S40: 15]*

*The notes should disclose the terms of any debt investment that cause its fair value to be highly sensitive to interest rate changes (e.g., coupon multipliers, benchmark indices, reset dates, embedded options). [GASB-S40: 16; 2005 GAAFR, pages 216-7]*

*The system (pool) should disclose the value in U.S. dollars of any investments held at the end of the year denominated in a foreign currency. Separate disclosure is required for each separate currency denomination, as well as for each different type of investment within a currency denomination. [GASB-S40: 17; 2005 GAAFR, page 209]*

*A system (pool) should disclose concentrations of 5 percent or more of the system's (pool's) net investments in securities of a single organization (other than those issued or explicitly guaranteed by the U.S. government, as well as investments in mutual funds, external investment pools, and other pooled investments). [GASB-S40: 12d; 2005 GAAFR, page 214]*

*Losses on investments and subsequent recoveries should be disclosed if not visible in the financial statements themselves. [GASB-S3: 75; 2005 GAAFR, page 212]*

\_\_\_\_\_ P12.1 Do the notes include appropriate custodial credit risk disclosure for investments associated with securities lending arrangements that are exposed to custodial credit risk? [GASB-S40: 10]

Yes No N/A

Explanation: Custodial credit risk disclosure is required only for the amount of investments (if any) that is both uninsured and unregistered and held by either 1) the counterparty or 2) the counterparty's trust department or agent but not in the system's (pool's) name, as follows:

- *Arrangements involving letters of credit (or collateral that may not be pledged or sold absent a default).* Custodial credit risk is a consideration only for the loaned securities themselves.
- *Arrangements involving cash collateral (or collateral that may be pledged or sold absent a default).* Custodial credit risk is a consideration for the collateral, but not for the loaned securities themselves.

_____	_____	_____	12.8	If some investments are valued on a basis other than fair value (e.g., amortized cost), do the notes disclose the fair value of such investments (or state that there is no material difference from fair value)? [GASB-S3: 68; 2005 GAAFR, page 204]  <i>The notes should disclose contingent liabilities.</i> [GASB-S10: 58 (referenced in 64-5); 2005 GAAFR, page 220]  <i>The notes should disclose any guarantees of indebtedness, even if the likelihood of loss is considered to be remote.</i> [FASB-S5: 12; 2005 GAAFR, page 220]
_____	_____	_____	12.9	Do the notes disclose subsequent events? [NCGA-I6: 4d; 2005 GAAFR, page 220]
_____	_____	_____	12.10	Do the notes disclose material violations of finance-related legal and contractual provisions? [NCGA-I6: 4g; 2005 GAAFR, page 224]
_____	_____	_____	12.10a	If a violation is significant, do the notes identify actions that the system (pool) has taken to address the violation? [GASB-S38: 9; 2005 GAAFR, page 224]
_____	_____	_____	12.16	If the system (pool) has significant commitments, do the notes disclose them? [NCGA-I6: 4j; 2005 GAAFR, page 226]
_____	_____	_____	12.20	Do the notes provide all of the information on interfund balances and transfers required by GAAP? [GASB-S38: 14-5; 2005 GAAFR, pages 227-8]

Explanation: The notes should disclose all of the following information regarding interfund balances and transfers:

- The purpose of interfund balances;
- The amounts of interfund balances that are not expected to be repaid within one year from the date of the financial statements;
- The principal purposes of interfund transfers; and
- The intended purpose and amount of significant transfers that do not occur on a routine basis or are inconsistent with the activities of the fund making the transfer.

*If the system (pool) has engaged in material related party transactions, the notes should disclose the terms of the transactions and the balance of related receivables not visible on the face of the basic financial statements.* [NCGA-I6: 5; 2005 GAAFR, page 232]

*If the system (pool) participated in a reverse repurchase agreement during the period, the notes should provide all of the disclosures required by GAAP.* [GASB-S3: 63, 76-80; GASB-I3: 6; 2005 GAAFR, pages 235-6]

Explanation: *The notes should disclose all of the following information regarding reverse repurchase agreements:*

- *The relevant legal or contractual provisions (disclosures for commitments to repurchase securities under yield maintenance agreements should include both the fair value as of the plan's reporting date of the securities to be repurchased and a description of the terms of the agreements);*
- *Reverse repurchase agreements in force at the end of the period;*
- *The source of legal or contractual authorization;*
- *Whether the maturities of investments made with agreement proceeds generally match the maturities of the agreement, as well as the extent of such matching at the end of the fiscal period;*
- *Either 1) the fair value of the securities to be repurchased as of the end of the fiscal year and the terms of the agreement*

Yes No N/A

(for yield-maintenance type agreements) or 2) credit risk (for all other types of agreements). Credit risk is the difference between the aggregate amount of reverse repurchase agreement obligations (including accrued interest) and the fair value of the securities (including interest) underlying those agreements.

The notes should disclose any losses recognized during the period due to default and any amounts recovered from prior period losses (if not visible on the face of the financial statements). The notes also should disclose any significant violation of legal or contractual provisions.

\_\_\_\_\_ P12.2 If the system (pool) participated in a securities lending arrangement during the period, do the notes disclose that fact? [GASB-S28: 11-15; 2005 GAAFR, page 236] If so, do they disclose:

\_\_\_\_\_ P12.3 The source of legal or contractual authorization?

\_\_\_\_\_ P12.4 The types of securities on loan?

\_\_\_\_\_ P12.5 The types of collateral received?

\_\_\_\_\_ P12.6 Whether the system (pool) is able to pledge or sell collateral security without a default?

\_\_\_\_\_ P12.7 The amount by which collateral is to exceed the amount of securities?

\_\_\_\_\_ P12.8 The carrying amount and fair value of securities on loan?

\_\_\_\_\_ P12.9 Whether the maturities of the investments made with cash collateral generally match the maturities of securities loans and the extent of such matching as of the end of the fiscal year?

\_\_\_\_\_ P12.10 Credit risk or the absence of credit risk?

*The notes also should disclose 1) any significant violations of legal or contractual provisions, 2) any restrictions on the amount of securities that may be lent, and 3) any losses of the period resulting from default and any recoveries of prior period loss.*

*If loss indemnification is to be provided by agents, the notes should disclose this fact.*

\_\_\_\_\_ 12.37 If the system (pool) reports either special items or extraordinary items, do the notes describe the underlying events? [APB30: 11; 2005 GAAFR, page 240]

\_\_\_\_\_ 12.38 If the system (pool) reports a prior-period adjustment or a change in accounting principle, do the notes explain the nature of the adjustment or change? [APB20: 33, 35, and 37; 2005 GAAFR, page 240]

*The system (pool) should disclose if significant balances of receivables are not expected to be collected within one year of the end of the fiscal period. [GASB-S38: 13; 2005 GAAFR, page 239]*

\_\_\_\_\_ 12.41 Has the system (pool) refrained from negative disclosure? [2005 GAAFR, page 241]

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

- Situations where GAAP specifically require the disclosure of *whether* a given set of circumstances apply to the system (pool);
- Situations where the absence of a given set of circumstances is so unusual that the omission of a particular disclosure is likely to be viewed by financial statement users as an oversight.



**FINANCIAL SECTION – PENSION AND OTHER POSTEMPLOYMENT  
BENEFIT-RELATED NOTE DISCLOSURES  
(PENSION AND OTHER POSTEMPLOYMENT  
BENEFIT SYSTEMS ONLY)**

NOTE: A system that is not required to implement and has not early implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, should refer to Part 1 of the *Checklist Supplement* following section 19 for the applicable questions rather than completing question 13.1.

\_\_\_\_\_ 13.1 If the system participates as an employer in a defined benefit plan, do the notes provide information on the arrangement? [GASB-S27: 20-1; GASB-S45: 24-5; GASB-S50: 7-8; 2005 GAAFR, pages 221-3]

Explanation: The disclosure requirements for defined benefit pension plans in which the system participates as an employer are as follows:

- Plan description
  - The name of the plan
  - The name of the entity administering the plan
  - The identification of the plan as a 1) single-employer defined benefit plan, 2) an agent multiple-employer defined benefit plan, or 3) a cost-sharing multiple-employer defined benefit plan
  - The types of benefits offered by the plan and the authority for establishing and amending benefits
  - Information on how to obtain the separately issued plan report, if one is available
- Funding policy
  - The authority for establishing and amending the funding policy
  - If contributory, the required contribution rate(s) of active members
  - The employer’s required contribution rate(s) in dollars or as a percentage of current-year covered payroll
  - Legal or contractual maximum contribution rates, if applicable
- For participation in a cost-sharing multiple-employer defined benefit plan
  - The required contributions stated in dollars for the current year and the two preceding years
  - How the contribution rate is determined
  - Actual contributions made as a percentage of required contributions for the current year and the two preceding years
  - If applicable, the fact that the plan uses pay-as-you-go funding
  - If the plan in which an employer participates does not issue and make publicly available a stand-alone plan financial report and the plan is not included in the financial report of another entity, the employer should present schedules of funding progress and employer contributions for the plan (and notes to these schedules). The employer should disclose that the information presented relates to the plan as a whole, and that the employer is only one participating employer, and should provide information helpful for understanding the scale of the information presented relative to the employer
- For participation in a single-employer or agent multiple-employer defined benefit plan
  - Annual pension cost and contribution made (contributions expressed in dollars)
  - Annual pension cost and contributions made (contributions expressed as a percentage of pension cost) for the current year and the two preceding years
  - The determination of the contribution rate if it differs significantly from the actuarially determined annual required contribution (ARC)
  - If a net pension obligation (NPO)/net other postemployment benefit obligation (NOPEBO) is reported:
    - The three components of annual pension cost (i.e., the ARC, the interest on the NPO/NOPEBO, and the actuary’s adjustment of the ARC based on the existence of the NPO/NOPEBO)
    - The increase or decrease in the NPO/NOPEBO for the year
    - The NPO/NOPEBO at the end of the current year and the two preceding years
  - The date of the actuarial valuation

Yes No N/A

- The actuarial cost method (i.e., entry age, frozen entry age, attained age, frozen attained age, projected unit credit, or aggregate) [The use of the unprojected unit credit method also is acceptable for plans in which benefits already accumulated for years of service are not affected by future salary levels]
  - If the aggregate method is used, a statement that this method does not separately amortize unfunded actuarial accrued liabilities
- The actuarial method used for valuing assets
- The assumptions regarding the inflation rate, investment return, projected salary increases, and post-retirement benefit increases
- The amortization method (i.e., level dollar or level percentage of payroll)
- The amortization period (if more than one period is used, the equivalent single amortization period should be disclosed)
- Whether the amortization period is open or closed
- The data from the schedule of funding progress for the current year
- That the schedule of funding progress, located following the notes, provides multi-year trend data to help determine whether net plans assets are increasing or decreasing over time
- That benefits are projected based on benefit levels and cost-sharing arrangements as of the date of the valuation and do not explicitly reflect the potential effects of legal or contractual funding limitations
- If applicable, the fact that the projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future
- An explanation that data on funding progress is presented using the entry age actuarial method if the aggregate actuarial cost method is used by the plan

In addition to the disclosures identified above, the following disclosures should be included in the notes to the financial statements for OPEB plans:

- The assumption for the healthcare cost trend rate
- Provisions or policies regarding automatic or ad hoc postretirement benefit increases
- The fact that actuarial calculations reflect a long-term perspective
- If applicable, the fact that that the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets

\_\_\_\_\_ 13.3 If the system participates as an employer in a defined contribution pension plan, do the notes provide all of the information on the arrangement required by GAAP? [GASB-S27: 27; GASB-S45: 29; 2005 GAAFR, page 223]

Explanation: The disclosure requirements for defined contribution pension plans in which the system participates as an employer are as follows:

- The name of the pension plan
- The name of the entity administering the pension plan
- The identification of the plan as a defined contribution plan
- A brief description of the plan's provisions and the authority for establishing and amending the plan's provisions
- The contribution amounts (either as a dollar amount or as a percentage of salary) for the employer, participating employees, and other contributors
- The authority for amending contribution requirements
- The contributions actually made by the employer and plan members

*If the system participates as an employer in an insured pension plan, the notes should 1) describe the plan, 2) state that the responsibility for making payments to employees has effectively been transferred to the insurer, 3) indicate whether the employer has guaranteed benefits in the event of default by the insurer, 4) disclose the amount of current-year pension cost, and 5) disclose contributions or premiums actually paid. [GASB-S27: 23; 2005 GAAFR, pages 223-4]*

*If the system is legally responsible for paying benefits on behalf of the employees of another entity, the notes should provide the same information required for a pension plan provided to the system's own employees. [GASB-S27: 28; 2005 GAAFR, page 195]*

NOTE: Until GASB Statement No. 43 is implemented, it is not a requirement for an OPEB plan to provide the disclosures in questions P13.1 through the italicized comments following question P13.10.

Yes No N/A

- \_\_\_\_\_ 13.5 If the system reports one or more defined benefit plans, do the notes provide disclosures for the plan(s)? [GASB-S25: 32; GASB-S27: 20, note 15; GASB-S43: 30; Q&A 5.32.2; 2005 GAAFR, pages 221 and 349] If so, do they:
- \_\_\_\_\_ P13.1 **Include a plan description?**
- \_\_\_\_\_ P13.2 **Identify the type(s) of benefit plan(s) (e.g., agent multiple-employer defined benefit plan)?**
- \_\_\_\_\_ P13.3 **Identify the number of participating employers and other contributors?**
- \_\_\_\_\_ P13.4 **Identify the classes of employees covered and current membership, including the number of retirees and others currently receiving benefits, terminated employees entitled to receive benefits in the future, and current active plan members?**
- A system should disclose if the plan is closed to new entrants.*
- \_\_\_\_\_ P13.5 **Briefly describe benefit provisions and the authority for establishing or amending those benefits?**
- \_\_\_\_\_ P13.6 **Include information on contributions and reserves?**
- \_\_\_\_\_ P13.7 **In the case of a defined benefit plan, does this disclosure include legal or contractual maximum contribution rates, if applicable? [GASB-S43: 30c; GASB-S50: 4b]**
- \_\_\_\_\_ P13.8 **Disclose the authority for establishing or amending the obligation to make contributions?**
- \_\_\_\_\_ P13.9 **Disclose how contributions are determined (e.g., by statute) and how administrative costs are financed?**
- \_\_\_\_\_ P13.10 **Disclose required contribution rates for active members of the plan?**
- A system should disclose the terms of long-term contracts for contributions and the amount outstanding as of the plan's reporting date.*
- A system should disclose the balances in legally required reserves or designations as of the plan's reporting date, as well as the purpose and funded status of each reserve or designation.*

**NOTE: A system that is not required to implement and has not early implemented GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and/or GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, should refer to Part 1 of the *Checklist Supplement* following section 19 for the applicable questions rather than completing questions P13.11 through P13.37 below.**

- \_\_\_\_\_ P13.11 **If the system reports one or more defined benefit plan(s), do the notes provide disclosures for the funded status and funding progress of the plan(s) as of the most recent valuation date? [GASB-S 43: 30d; GASB-S50: 8a; 2005 GAAFR, pages 349-50]**

Yes No N/A

Explanation: Plans that use the aggregate actuarial cost method to calculate the annual required contribution of the employer(s) (ARC) should prepare funded status information using the entry age actuarial cost method. The requirement to present information about the funded status of plans that use the aggregate actuarial method is effective for the first fiscal period that contains information resulting from actuarial valuations as of June 15, 2007, or later.

\_\_\_\_ \_\_\_\_ \_\_\_\_ P13.12 Do the notes disclose the actuarial valuation date?

Explanation: The actuarial valuation should be performed:

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

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

\_\_\_\_ \_\_\_\_ \_\_\_\_ P13.13 Do the notes disclose the actuarial value of assets?

Explanation: The *actuarial* value of plan assets may differ from the *accounting* value presented on the statement of plan net assets.

\_\_\_\_ \_\_\_\_ \_\_\_\_ P13.14 Do the notes disclose the actuarial accrued liability? [GASB-TB2006-1:5]

Explanation: The actuarial accrued liability should be calculated using the same actuarial cost method used for funding purposes, except when the aggregate actuarial cost method is used. In this case, the disclosure should be prepared using the entry age actuarial cost method. Further, the actuarial accrued liability should not be reduced by payments that are expected from the federal government under the provisions of Medicare Part D.

\_\_\_\_ \_\_\_\_ \_\_\_\_ P13.15 Do the notes disclose the total unfunded actuarial accrued liability?

Explanation: UNFUNDED ACTUARIAL ACCRUED LIABILITY = ACTUARIAL ACCRUED LIABILITY – ACTUARIAL VALUE OF PLAN ASSETS. If the actuarial value of plan assets exceeds the actuarial accrued liability, this excess amount should be reported as a *funding excess*.

\_\_\_\_ \_\_\_\_ \_\_\_\_ P13.16 Do the notes disclose the funded ratio?

Explanation: FUNDED RATIO = ACTUARIAL VALUE OF ASSETS/ACTUARIAL ACCRUED LIABILITY [expressed as a percentage].

\_\_\_\_ \_\_\_\_ \_\_\_\_ P13.17 Do the notes disclose the annual covered payroll?

\_\_\_\_ \_\_\_\_ \_\_\_\_ P13.18 Do the notes disclose the ratio of the total unfunded actuarial accrued liability to annual covered payroll?

\_\_\_\_ \_\_\_\_ \_\_\_\_ P13.19 If the system reports one or more defined benefit plans(s), do the notes disclose the actuarial methods and significant assumptions used? [GASB-S43: 30d; GASB-S50: 4d; 2005 GAAFR, pages 349-51] If so, do the disclosures include:

\_\_\_\_ \_\_\_\_ \_\_\_\_ P13.20 The actuarial cost method?

Explanation: One of the following actuarial cost methods should be used: entry age, frozen entry age, attained age, frozen attained age, projected unit credit, or the aggregate actuarial cost method.

\_\_\_\_ \_\_\_\_ \_\_\_\_ P13.21 If the aggregate actuarial cost method is used, do the notes disclose that because this method does not identify or separately amortize unfunded actuarial accrued liabilities, the information for the plan's funded status and funding progress were prepared using the entry age actuarial cost method?

\_\_\_\_ \_\_\_\_ \_\_\_\_ P13.22 The method(s) used to determine the actuarial value of assets?

Yes	No	N/A
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

- P13.23 The assumed inflation rate?
- P13.24 The assumed investment return (discount rate) or, for a partially funded plan, the method used to determine a blended discount rate?
- P13.25 The assumed projected salary increases, if relevant to benefit levels?
- P13.26 If a healthcare benefit plan, the assumed healthcare cost trend rate?
- P13.27 The amortization method?

Explanation: Amortization may be calculated using either a level dollar or a level percentage of projected payroll approach.

_____	_____	_____
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- P13.28 The amortization period?

Explanation: The maximum acceptable amortization period is 30 years.

_____	_____	_____
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- P13.29 The selection of an open or closed amortization approach?

*If the economic assumptions for the benefit plan contemplate different rates for successive years (year-based or select and ultimate rates), the rates that should be disclosed are the initial and ultimate rates. [GASB-S43: 30d(2)(e); GASB-S50: 4d(3)(c)]*

_____	_____	_____
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- P13.30 A discussion of the fact that the required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time?

_____	_____	_____
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- P13.31 If applicable, a discussion of the fact that the projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future?

- P13.32 Does the system report one or more defined benefit OPEB plans(s)? [GASB-S43: 30d; 2005 GAAFR, pages 349-51] If so, do the disclosures include:

_____	_____	_____
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- P13.33 A discussion of the fact that actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and that actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future?

_____	_____	_____
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- P13.34 A discussion of the fact that calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point?

_____	_____	_____
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- P13.35 A discussion of the fact that actuarial calculations reflect a long-term perspective?

_____	_____	_____
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- P13.36 If applicable, a discussion of the fact that the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in the actuarial accrued liabilities and the actuarial value of assets?

_____	_____	_____
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- P13.37 Does the OPEB plan qualify for and has it elected to use the alternative measurement method? [GASB-S43: 38-39] If so, do the notes disclose:

Yes No N/A

Explanation: To qualify to use the alternative measurement approach, a defined benefit OPEB plan must have fewer than one hundred total members. While this method does not require the services of an actuary, it does include the same essential elements as those used in an actuarial valuation:

- Projection of future benefits,
- Calculation of the present value of future benefit payments,
- Allocation of the present value of future benefit payments to operations in a systematic and rational manner.

The essential difference between the alternative approach and an actuarial valuation is that the alternate approach allows financial statement preparers to use certain simplifying assumptions to project benefits.

\_\_\_\_\_ P13.38 The source or basis of all significant assumptions or methods used to apply the method?

**FINANCIAL SECTION – RSI  
(PENSION AND OTHER POSTEMPLOYMENT  
BENEFIT SYSTEMS ONLY)**

\_\_\_\_\_ 14.1\* Is all RSI, other than MD&A, located immediately following the notes to the financial statements? [GASB-S34: 6c; 2005 GAAFR, page 296]

NOTE: A system that is not yet required to implement and has not early implemented GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and/or GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, should refer to Part 1 of the *Checklist Supplement* following section 19 for the applicable questions rather than completing questions 14.4, P14.1, P14.4, and P14.14

\_\_\_\_\_ 14.4 Has the system provided a schedule of funding progress with information for 1) the last six consecutive fiscal years for all pension plans and 2) the last three actuarial valuations for all OPEB plans? [GASB-S25: 34, 37; GASB-S43: 35; GASB-TB2006-1: 5; GASB-S50: 6; 2005 GAAFR, pages 335 and 351]

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

\_\_\_\_\_ 14.4a Does the schedule disclose the actuarial valuation date?

Explanation: In the case of defined benefit pension plans, the actuarial valuation should be performed at least biennially and should generally be performed the same date each year or biennium. A new valuation should be performed if significant changes have occurred since the previous valuation.

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

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

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

\_\_\_\_\_ 14.4b Does the schedule disclose the actuarial value of plan assets?

Explanation: This would be the valuation used for actuarial purposes, which usually is a smoothed average value, and thus would differ from the point-in-time fair value reported on the statement of plan net assets.

\_\_\_\_\_ 14.4c Does the schedule disclose the actuarial accrued liability?

Yes No N/A

Explanation: When a pension plan presents the Schedule of funding progress, the actuarial accrued liability should be calculated using the same actuarial cost method used for funding purposes. This is also true for OPEB plans, except when the aggregate actuarial cost is used for funding purposes. In this case, the schedule must still be presented, but it should be prepared using the entry age actuarial cost method.

\_\_\_\_ \_\_\_\_ \_\_\_\_ 14.4d Does the schedule disclose the total unfunded actuarial accrued liability?

Explanation:  $UNFUNDED\ ACTUARIAL\ ACCRUED\ LIABILITY = ACTUARIAL\ ACCRUED\ LIABILITY - ACTUARIAL\ VALUE\ OF\ PLAN\ ASSETS$ . If the actuarial value of plan assets exceeds the actuarial accrued liability, this excess amount should be reported as a *funding excess*.

\_\_\_\_ \_\_\_\_ \_\_\_\_ 14.4e Does the schedule disclose the funded ratio?

Explanation:  $FUNDED\ RATIO = ACTUARIAL\ VALUE\ OF\ ASSETS / ACTUARIAL\ ACCRUED\ LIABILITY$  [expressed as a percentage].

\_\_\_\_ \_\_\_\_ \_\_\_\_ 14.4f Does the schedule disclose annual covered payroll?

\_\_\_\_ \_\_\_\_ \_\_\_\_ 14.4g Does the schedule disclose the ratio of the total unfunded actuarial accrued liability to annual covered payroll?

\_\_\_\_ \_\_\_\_ \_\_\_\_ P14.1\* Does the system present a schedule of employer contributions with information for 1) the last six consecutive fiscal years for all pension plans and 2) the last three actuarial valuations for all OPEB plans, regardless of the actuarial cost method used? [GASB-S25: 38; GASB-S43: 36; GASB-TB2006-1: 5; 2005 GAAFR, pages 335 and 351]

Explanation: The schedule of employer contributions, like the schedule of funding progress, must present data for each of the three most recent actuarial valuations. In the case of biennial or triennial valuations, data should be presented for each year of the biennium or triennium, because employer contributions may change from one year to the next.

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

\_\_\_\_ \_\_\_\_ \_\_\_\_ P14.2 Does the schedule include the dollar amount of the annual required contribution for each of the last six fiscal years?

Explanation: See explanation to P14.1.

\_\_\_\_ \_\_\_\_ \_\_\_\_ P14.3 Does the schedule include the percentage of the annual required contribution that was recognized as contributions from employer(s) in the pension plan's statement of changes in plan net assets for each of the last six years?

Explanation: When the plan's funding policy includes contributions from sources other than plan members and employer(s), the required contributions of the other contributing entities and the percentage of those contributions actually made should be included in the schedule of employer contributions. In that case, the schedule should be titled "Schedule of Contributions from Employer(s) and Other Contributing Entities."

When an OPEB plan directly received payments from the federal government under Medicare Part D, the schedule of employer contributions should be adjusted as described above. In addition, the OPEB plan can take either of the following approaches to present the percentage of the annual required contribution that was recognized as contributions from employer(s):

- Present a single column that provides the combined percentage of contributions from the employer(s) and contributions from the federal government under Medicare Part D, or
- Present separate columns that provide the percentages of the annual required contribution made by the employer(s) and the contributions from the federal government under Medicare Part D (i.e., the on-behalf payments that were made for the employers).

Yes No N/A

In the latter case, the OPEB plan may also present an additional column that provides the combined percentage of the contributions.

\_\_\_\_ \_\_\_\_ \_\_\_\_ P14.4 For both defined benefit pension and OPEB plans, do disclosures that discuss factors that significantly affect the identification of trends in the amounts reported in the required schedules accompany the schedules presented as required supplementary information, if applicable? [2005 GAAFR, pages 336 and 351]

Explanation: The letter of transmittal, MD&A, or actuarial section may indicate changes that should be disclosed in the notes to the required supplementary information. Such factors may include, but are not limited to, the following: changes in benefit provisions, the size or composition of the population covered by the plan, and the actuarial methods and assumptions used.

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

## ***FINANCIAL SECTION – SUPPLEMENTARY INFORMATION (PENSION AND OTHER POSTEMPLOYMENT BENEFIT SYSTEMS ONLY)***

\_\_\_\_ \_\_\_\_ \_\_\_\_ P15.1 Has the system included a schedule of administrative expenses as supplementary data to the basic financial statements? [2005 GAAFR, page 336]

\_\_\_\_ \_\_\_\_ \_\_\_\_ P15.2 Has the system included a schedule of investment expenses as supplementary data to the basic financial statements? [2005 GAAFR, page 336]

Explanation: In the case of securities lending transactions, management fees should be reported separately from rebated amounts.

\_\_\_\_ \_\_\_\_ \_\_\_\_ P15.3 Has the system included a schedule of payments to consultants for fees paid to outside professionals other than investment advisors? [2005 GAAFR, page 336]

Explanation: This schedule is used to provide information on fees paid to outside professionals other than investment advisors (e.g., actuaries, auditors, legal counsel, benefit consultants) and may be itemized by individual or firm. It should refer readers to the investment section of the CAFR for fees paid to investment professionals. If it is not feasible to provide the detail by individual or firm, consideration should be given to providing the total amount for each type of service (e.g., actuarial, legal).

\_\_\_\_ \_\_\_\_ \_\_\_\_ P15.4 If the system chooses to present cash flows information for any funds, is the information included as supplementary information to the basic financial statements?

Explanation: By establishing two basic financial statements for pension trust funds, SGAS 25 effectively eliminated the SGAS 9 option of reporting a statement of cash flows for pension trust funds as a basic financial statement. However, a system may voluntarily furnish cash flows information for pension trust funds as a supporting schedule.

\_\_\_\_ \_\_\_\_ \_\_\_\_ P15.5 Do the amounts presented on any of these supporting schedules agree with the related amounts in the basic financial statements?

## ***INVESTMENT SECTION***

\_\_\_\_ \_\_\_\_ \_\_\_\_ P16.1\* Does the report contain an investment section? [2005 GAAFR, page 336]

\_\_\_\_ \_\_\_\_ \_\_\_\_ P16.2\* Does the investment section contain a report on investment activity? [2005 GAAFR, pages 336-7]



Yes No N/A

\_\_\_\_\_

P16.3

Is the report prepared by the investment consultant or by an individual inside the system with responsibility for overseeing the system's (pool's) investments? [2005 GAAFR, page 336]

\_\_\_\_\_

P16.4

Does the report indicate the basis of presentation for the data reported in the investment section?

Explanation: Pension plans (pools) are strongly encouraged to present rates of return using a time-weighted rate of return methodology based upon market values. Note that any reference to a specific set of standards (e.g., the CFA Institute's Global Investment Performance Standards [GIPS]) should only be made in strict conformity with the guidelines set by the establishing organization.

\_\_\_\_\_

P16.5

Does the report discuss the system's (pool's) investment objectives? [2005 GAAFR, page 336]

\_\_\_\_\_

P16.6

Does the investment section contain a brief outline of the system's (pool's) investment policies? [2005 GAAFR, page 337]

\_\_\_\_\_

P16.7

Does the investment section contain a schedule of investment results? [2005 GAAFR, page 337]

\_\_\_\_\_

P16.8

Does the schedule present the rate of return for each major category of investments and for the total portfolio for different periods? [2005 GAAFR, page 337]

\_\_\_\_\_

P16.9

Does the schedule include, at a minimum, the rate of return for the latest 12 months, along with annualized rates of return for the preceding 3-year and 5-year periods? [2005 GAAFR, page 337]

\_\_\_\_\_

P16.10

Are the rates of return matched with appropriate benchmark indices? [2005 GAAFR, page 337]

Explanation: Examples of benchmark indices are Lehman Brothers, Salomon Brothers, and Standard & Poors.

\_\_\_\_\_

P16.11

Does the schedule indicate the basis for the calculations (e.g., a time-weighted rate of return based on the market rate of return)? [2005 GAAFR, page 337]

\_\_\_\_\_

P16.12

Does the investment section include information on asset allocation? [2005 GAAFR, page 337]

Explanation: Any effective means of presentation is acceptable (e.g., pie chart, narrative description).

\_\_\_\_\_

P16.13

Does the investment section include a list of the portfolio's largest holdings and inform readers of the availability of a complete list of the portfolio holdings? [2005 GAAFR, page 337]

\_\_\_\_\_

P16.14

Does the investment section include a schedule of fees and commissions? [2005 GAAFR, page 338]

\_\_\_\_\_

P16.15

Are fees reported by category? [2005 GAAFR, page 338]

Explanation: At a minimum, fees should be presented in the aggregate by asset class.

*The system should disclose any commission recapture arrangements, directed payments to third parties, or similar arrangements.*

Yes No N/A

\_\_\_\_ \_ P16.16 Does the investment section include an investment summary that reports the fair value and percent of total fair value for each major type of investment? [2005 GAAFR, page 338]

\_\_\_\_ \_ P16.17 Do the amounts reported in the investment section agree with the related amounts in the financial section?

\_\_\_\_ \_ P16.18 Does the investment section of a pool contain an administrative overview?

Explanation: The overview should include the following: 1) a summary of the pool's investment strategy, 2) the date of the pool's inception, 3) the pool's performance objectives, measurements, and benchmarks, 4) the pool's total net assets, 5) the number of external managers, 6) expense ratios, 7) the pool's income allocation policies (both method and timing), 8) an economic environment recap, and 9) a fund risk profile (e.g., a discussion of various types of risk).

\_\_\_\_ \_ P16.19 Does the pool provide a detailed description of its portfolio?

Explanation: The description should include: 1) specific leverage information, 2) diversification, 3) yields, 4) maturities (including weighted-average maturities), and 5) other profile information not included in the administrative overview.

\_\_\_\_ \_ P16.20 Does the investment section of a pool include a list of the participants by concentration?

## **ACTUARIAL SECTION (PENSION AND OTHER POSTEMPLOYMENT BENEFIT SYSTEMS ONLY)**

\_\_\_\_ \_ P17.1\* Does the report contain an actuarial section? [2005 GAAFR, page 285]

\_\_\_\_ \_ P17.2\* Does the actuarial section contain an actuary's certification letter? [2005 GAAFR, pages 338-40] If so, does it disclose (some items may be disclosed in the summary of assumptions):

\_\_\_\_ \_ P17.3 The funding objective of the plan?

\_\_\_\_ \_ P17.4 Progress being made toward achieving the funding objective if the funding objective is not currently being realized?

\_\_\_\_ \_ P17.5 The frequency of the plan's actuarial valuations and the date of the most recent actuarial valuation?

\_\_\_\_ \_ P17.6 An indication that assumptions and methods used for funding purposes meet the parameters set for the disclosures presented in the financial section by SGAS 25 and SGAS 43?

\_\_\_\_ \_ P17.7 The extent to which the actuary relies on data provided by the plan's administrative staff with specific reference to data certified by the system's auditor and/or has examined the data for reasonableness?

\_\_\_\_ \_ P17.8 The extent of the responsibility of the actuary or actuary's firm for the trend data schedules presented in the financial section of the CAFR?

\_\_\_\_ \_ P17.9 A list of the supporting schedules in the actuarial section which were prepared by the actuary?

\_\_\_\_ \_ P17.10 Is the certification letter dated and signed by the actuary with professional designation, as appropriate? [2005 GAAFR, page 338]

Yes No N/A

\_\_\_\_ \_\_\_\_ \_\_\_\_ P17.11 Does the summary of actuarial assumption and methods state the assumptions and methods used in the most recent actuarial valuation for at least the following [2005 GAAFR, pages 339-40]:

\_\_\_\_ \_\_\_\_ \_\_\_\_ P17.12 The investment return rate?

\_\_\_\_ \_\_\_\_ \_\_\_\_ P17.13 The method used to value plan assets for actuarial valuation purposes?

Explanation: If a value other than fair value is used, the actuary should explain the alternate method.

\_\_\_\_ \_\_\_\_ \_\_\_\_ P17.14 Whether the actuarial assumptions, as set forth in the supporting schedules, were selected by the actuary, specified by the administrative board of the plan with or without the recommendation of the actuary, specified by the state or local law, or other?

\_\_\_\_ \_\_\_\_ \_\_\_\_ P17.15 The mortality table used for postretirement mortality?

Explanation: This table should specify any sex differential.

\_\_\_\_ \_\_\_\_ \_\_\_\_ P17.16 The assumed retirement age if a single age is used, or the probabilities of retirement for sample ages if a retirement pattern is used?

\_\_\_\_ \_\_\_\_ \_\_\_\_ P17.17 The probabilities of withdrawal from active service (including death) before age and service retirement of sample ages?

\_\_\_\_ \_\_\_\_ \_\_\_\_ P17.18 The pay increase assumption(s), including the portion of assumed salary increase, if any, attributable to the effects of inflation on salaries; the percentage increase when a single percentage is used; or the assumed increase in salary for sample ages shown when a salary scale is used?

\_\_\_\_ \_\_\_\_ \_\_\_\_ P17.19 If applicable, the extent to which total active member payroll is expected to increase as a result of inflation?

Explanation: For financial reporting purposes, SGAS 25 does not permit the use of a growth rate assumption that reflects an increase in the number of active plan members. If, however, such an assumption is used for funding purposes, it should be disclosed.

\_\_\_\_ \_\_\_\_ \_\_\_\_ P17.20 The actuarial method used, with specific reference to the treatment of actuarial gains and losses?

\_\_\_\_ \_\_\_\_ \_\_\_\_ P17.21 If applicable, the extent to which benefits are expected to increase as a result of cost-of-living adjustments?

\_\_\_\_ \_\_\_\_ \_\_\_\_ P17.22 The date(s) of adoption of the items discussed in questions P17.13 through P17.22?

\_\_\_\_ \_\_\_\_ \_\_\_\_ P17.23 The date of the last study of the plan's actual experience (if applicable) and an indication of which assumptions used for the most recent actuarial valuation were based on that study? If actuarial assumptions were not based on such a study, is the basis of the assumptions indicated?

\_\_\_\_ \_\_\_\_ \_\_\_\_ P17.24 Recent changes in the nature of the plan, actuarial assumptions, actuarial methods, or retained actuary or actuarial firm?

\_\_\_\_ \_\_\_\_ \_\_\_\_ P17.25 Any other specific assumptions that have a material impact on valuation results?

Yes No N/A

Does the actuarial section contain a:

\_\_\_\_ \_\_\_\_ \_\_\_\_ P17.26 Schedule of active member valuation data (six-years)? [2005 GAAFR, page 340]

\_\_\_\_ \_\_\_\_ \_\_\_\_ P17.27 Schedule of retirants and beneficiaries added to and removed from rolls (six-years)? [2005 GAAFR, page 340]

Explanation: The Schedule should include both the number of retirants and beneficiaries and the related dollar amounts.

\_\_\_\_ \_\_\_\_ \_\_\_\_ P17.28 Solvency test (six-years)? [2005 GAAFR, page 340]

Explanation: The solvency test compares aggregate actuarial liabilities by various categories with the plan's present assets. The aggregate actuarial cost method does not identify actuarial liabilities. Accordingly, when a pension plan uses that method for its actuarial valuation, the solvency test is not presented.

When presented, the solvency test should use the actuarial value of plan assets for the comparison to the aggregate actuarial liabilities by category.

\_\_\_\_ \_\_\_\_ \_\_\_\_ P17.29 Analysis of financial experience? [2005 GAAFR, page 341]

\_\_\_\_ \_\_\_\_ \_\_\_\_ P17.30 Independent actuarial review opinion, if the actuarial certification is prepared by a staff member of the retirement system (if available)? [2005 GAAFR, page 341]

\_\_\_\_ \_\_\_\_ \_\_\_\_ P17.31 Do amounts reported in the actuarial section agree with related amounts in the financial and investment sections?

## ***STATISTICAL SECTION***

\_\_\_\_ \_\_\_\_ \_\_\_\_ 18.1\* Does the report include a statistical section? [NCGA-S1: 138-139] If so:

\_\_\_\_ \_\_\_\_ \_\_\_\_ P18.1 Does the statistical section present the changes in net assets? [GASB-S44: 10-11; 2005 GAAFR, page 305] If so:

\_\_\_\_ \_\_\_\_ \_\_\_\_ P18.2 Does the schedule include additions by source?

\_\_\_\_ \_\_\_\_ \_\_\_\_ P18.3 Does the schedule present deductions from plan (pool) net assets by type?

\_\_\_\_ \_\_\_\_ \_\_\_\_ P18.4 When applicable, are benefits presented by type (e.g., age and service benefits, disability benefits) for each individual pension and OPEB plan?

\_\_\_\_ \_\_\_\_ \_\_\_\_ P18.5 When applicable, are refunds presented by type (e.g., death, separation) for each individual pension and OPEB plan?

\_\_\_\_ \_\_\_\_ \_\_\_\_ P18.6 Does the statistical section include information about the total change in net assets?

\_\_\_\_ \_\_\_\_ \_\_\_\_ P18.7 Does the statistical section present a schedule for the current year of retired members by type of benefit for each individual pension and OPEB plan? [GASB-S44: 39; 2005 GAAFR, page 342] If so, does the schedule include:

\_\_\_\_ \_\_\_\_ \_\_\_\_ P18.8 The number of retired members organized by ranges of benefit levels?

Yes No N/A

\_\_\_\_ P18.9 The major features of the plans?

Explanation: Information about the plans' major features would typically include the following:

- The types of retirement benefits (e.g., normal retirement, disability retirement, beneficiary payment),
- The types of OPEB (e.g., health insurance, dental coverage, life insurance),
- Other plan options (e.g., various provisions for payments to beneficiaries).

\_\_\_\_ P18.10 Does the statistical section present a schedule of the average benefit payment amounts for each individual pension and OPEB plan? [GASB-S44: 39; 2005 GAAFR, page 342]

\_\_\_\_ P18.11 Does the schedule include the average monthly benefit?

\_\_\_\_ P18.12 Does the schedule include the average final average salary?

\_\_\_\_ P18.13 Does the schedule include the number of retired members?

\_\_\_\_ P18.14 Does the schedule organize all of the information by years of credited service in five-year increments?

\_\_\_\_ P18.15 For multiple-employer plans only, does the statistical section present a schedule of participating employers for each individual pension or OPEB plan? [GASB-S44: 39; Q&A 9.38.4; 2005 GAAFR, page 343]

Explanation: The schedule should list the ten employers with the most covered employees unless fewer than ten are needed to reach 50 percent of the total covered employees of the plan.

\_\_\_\_ P18.16 Does the schedule include the numbered of covered employees for each employer?

\_\_\_\_ P18.17 Does the schedule include the percentage of the total covered employees for each employer?

\_\_\_\_ P18.18 Does the schedule include information for the current fiscal period and the fiscal period ended nine years prior?

\_\_\_\_ 18.1q Does the statistical section discuss the methods used to produce the information it contains, as well as any significant assumptions that were made in the preparation of the information? [GASB-S44: 41; 2005 GAAFR, page 310]

\_\_\_\_ 18.1r Does the statistical section include appropriate analytical and educational explanations? [GASB-S44: 42; 2005 GAAFR, page 310]

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

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

\_\_\_\_ 18.1u If the government has presented less than ten years of data on a statistical table that normally requires ten years of data, is the reason for this exception disclosed?

Yes No N/A

\_\_\_\_\_

P18.19

Do the amounts reported in the statistical tables agree with related amounts reported in the financial, actuarial, and investment sections?

***OTHER CONSIDERATIONS***

\_\_\_\_\_

19.1

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

\_\_\_\_\_

19.2\*

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

## CHECKLIST SUPPLEMENT (POSTEMPLOYMENT BENEFIT SYSTEMS ONLY)

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

A system that is not required to implement and has not early implemented GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, should use the following guidance for reporting its benefit plans. GASB Statement No. 43 is effective for fiscal periods beginning after December 15, 2007, for systems that were phase 3 for the implementation of SGAS 34. The requirements of this statement are already effective for systems that were phase 1 or phase 2 for the implementation of SGAS 34.

A system that is not required to implement and has not early implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, should use the following guidance for disclosing its participation in an other postemployment benefit plan. GASB Statement No. 45 is effective for fiscal periods beginning after December 15, 2007, for systems that were phase 2 for the implementation of SGAS 34; and after December 15, 2008, for systems that were phase 3 for the implementation of SGAS 34. The requirements of this statement are already effective for systems that were phase 1 for the implementation of SGAS 34.

\_\_\_\_\_ Are the statements for any postemployment healthcare benefit plans presented in accordance with the same standards applicable to pension plans? [GASB-S34: 140; 2005 GAAFR, page 332]

Explanation: This requirement does *not* apply to individual plans within an agent multiple-employer plan.

\_\_\_\_\_ Are the statements for any postemployment healthcare benefit plans presented in accordance with the same standards applicable to pension plans? [GASB-S26: 7]

\_\_\_\_\_ If the system pays for other postemployment benefits (OPEB) for employees, either in whole or in part, do the notes discuss these benefits? [GASB-S12: 10]

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

- The types of benefits provided
- The employee groups covered
- Eligibility requirements
- Employer and participant obligations to contribute, quantified in some manner (such as contribution percentage borne by employer and participants)
- The statutory, contractual, or other authority under which OPEB provisions and obligations to contribute are established
- A description of the accounting and financing policies
- If OPEB are advance-funded on an actuarial basis:
  - The actuarial cost method
  - The significant actuarial assumptions used to determine funding requirements
  - The method used to value plan assets
  - The number of active plan participants
  - The employer's actuarially required and actual contributions for the period (net of participant contributions)
  - The amount of net assets available for OPEB
  - The actuarial accrued liability and the unfunded actuarial accrued liability according to the actuarial cost method in use
- If OPEB are not advance-funded on an actuarial basis (for example, financed on a pay-as-you-go basis):
  - The amount of OPEB expenditures/expenses recognized during the period by the employer (net of participant contributions) or a statement that a reasonable approximation of the amount cannot be made
  - The number of participants currently eligible to receive benefits

Yes No N/A

- If advance-funded, but not on an actuarial basis: the net assets available for future benefits

\_\_\_\_\_ If the system participates as an employer in a defined benefit pension plan, do the notes provide information on the arrangement? [GASB-S27: 20-1; 2005 GAAFR, pages 221-3]

Explanation: The disclosure requirements for defined benefit pension plans in which the system participates as an employer are as follows:

- Plan description
  - The name of the pension plan
  - The name of the entity administering the pension plan
  - The identification of the plan as a 1) single-employer defined benefit plan, 2) an agent multiple-employer defined benefit plan, or 3) a cost-sharing multiple-employer defined benefit plan
  - The types of benefits offered by the plan and the authority for establishing and amending benefits
  - Information on how to obtain the separately issued pension plan report, if one is available
- Funding policy
  - The authority for establishing and amending the funding policy
  - If contributory, the required contribution rate(s) of active members
  - The employer's required contribution rate(s) in dollars or as a percentage of current-year covered payroll
- For participation in a cost-sharing multiple-employer defined benefit plan
  - The required contributions stated in dollars for the current year and the two preceding years
  - Actual contributions made as a percentage of required contributions for the current year and the two preceding years
- For participation in a single-employer or agent multiple-employer defined benefit plan
  - Annual pension cost and contribution made (contributions expressed in dollars)
  - Annual pension cost and contributions made (contributions expressed as a percentage of pension cost) for the current year and the two preceding years
  - The determination of the contribution rate if it differs significantly from the actuarially determined annual required contribution (ARC)
  - If a net pension obligation (NPO) is reported:
    - The three components of annual pension cost (i.e., ARC; interest on the NPO; and the actuary's adjustment of the ARC based on the existence of the NPO)
    - The increase or decrease in the NPO for the year
    - The NPO at the end of the year for the current year and the two preceding years
  - The date of the actuarial valuation
  - The actuarial cost method (i.e., entry age, frozen entry age, attained age, frozen attained age, projected unit credit, or aggregate) [The use of the unprojected unit credit method also is acceptable for plans in which benefits already accumulated for years of service are not affected by future salary levels]
    - If the aggregate method is used, a statement that this method does not separately amortize unfunded actuarial accrued liabilities
  - The actuarial method used for valuing assets
  - The assumptions regarding the inflation rate, investment return, projected salary increases, and post-retirement benefit increases
  - The amortization method (i.e., level dollar or level percentage of payroll)
  - The amortization period (if more than one period is used, the equivalent single amortization period should be disclosed)
  - Whether the amortization period is open or closed

\_\_\_\_\_ If the system includes a postemployment healthcare benefits plan, are notes to the financial statements prepared in accordance with the pension plan standards included? [GASB-S26: 7]

\_\_\_\_\_ Do those notes include a brief description of the eligibility requirements for postemployment healthcare benefits? [GASB-S26: 7]

\_\_\_\_\_ Do those notes include the required contribution rate(s) of the employer(s)? [GASB-S26: 7]

*The notes should disclose any significant matters that affect the comparability of the required disclosures with those for the previous period. [GASB-S12: 10e]*



Yes No N/A

\_\_\_\_

Does the system present a schedule of employer contributions with information for the last six consecutive fiscal years for each pension plan? [GASB-S25: 38; 2005 GAAFR, page 335]

\_\_\_\_

\* Has the system provided a schedule of funding progress with information for 1) the last six consecutive fiscal years for all pension plans that do not use the aggregate funding method and 2) the last three actuarial valuations for all OPEB plans, regardless of the actuarial cost method used if GASB Statement No 43 was implemented? [GASB-S25: 34, 37; GASB-TB2006-1: 5; 2005 GAAFR, pages 335 and 351]

Explanation: No schedule of funding progress is presented in connection with a defined benefit pension plan that uses the aggregate actuarial cost method, because that method does *not* identify or separately amortize unfunded actuarial liabilities. However, OPEB plans do not have that same exception. Instead, a schedule of funding progress must be presented using the entry age actuarial cost method when the aggregate method is used for funding purposes. Also, for OPEB plans, the actuarial accrued liability should not be reduced by payments that are expected from the federal government under the provisions of Medicare Part D.

\_\_\_\_

If the system presents the optional schedules of funding progress and employer contributions for postemployment healthcare benefits, is the information presented either in separate healthcare schedules or in separate columns of combining pension and healthcare schedules? [GASB-S26: 8]

Explanation: These schedules are permitted, but not required, for postemployment healthcare benefits administered by pension plans. If the information is presented voluntarily, it should be presented separately, either in separate healthcare schedules or in separate columns of the combining pension and healthcare schedules.

\_\_\_\_

Do disclosures accompany all of the pension plan schedules presented as required supplementary information? [GASB-S25: 40; 2005 GAAFR, pages 335-6] If so, do they include:

\_\_\_\_

The actuarial cost method?

Explanation: One of the following actuarial cost methods should be used: entry age, frozen entry age, attained age, frozen attained age, projected unit credit, or the aggregate actuarial cost method.

\_\_\_\_

The method(s) used to determine the actuarial value of assets?

\_\_\_\_

The assumed inflation rate?

\_\_\_\_

The assumed investment return?

\_\_\_\_

The assumed projected salary increases?

\_\_\_\_

The assumed postretirement benefit increases?

\_\_\_\_

The amortization method?

Explanation: Amortization may be calculated using either a level dollar or a level percentage of projected payroll approach.

\_\_\_\_

The amortization period?

Explanation: When the actuarial accrued liability for a defined benefit pension plan is underfunded or overfunded, the difference should be amortized over a period not to exceed thirty years. [GASB-S25: 36f]

\_\_\_\_

The selection of an *open* or *closed* amortization approach?

\_\_\_\_

Do the notes to the required supplementary information disclose factors that significantly affect the identification of trends in the amounts reported in the required schedules, if applicable?

Yes No N/A

Explanation: The letter of transmittal, MD&A, or actuarial section may indicate changes that should be disclosed in the notes to the required supplementary information. Such factors may include, but are not limited to, the following: changes in benefit provisions, the size or composition of the population covered by the plan, and the actuarial methods and assumptions used.

## PART 2: ISSUED BUT NOT YET EFFECTIVE GASB PRONOUNCEMENTS

### **GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, effective for fiscal periods beginning after June 15, 2009.**

**New questions, subquestions, explanations and italicized comments to address the new requirements of this statement**

#### **New Question 6.7a and explanation**

\_\_\_\_\_ \_\_\_\_\_ \_\_\_\_\_ Has the government appropriately capitalized its internally generated intangible assets? [GASB-S52: 7-8]

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

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

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

#### **New Question 6.7a1 and explanation**

\_\_\_\_\_ \_\_\_\_\_ \_\_\_\_\_ In the case of internally generated computer software, has the government only capitalized costs incurred during the application development stage? [GASBS-51: 9-15]

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

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

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

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