Essentials of Accounting for Governmental and Not for Profit Organizations 13th edition Copley Test Bank

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Chapter 2 Overview of Financial Reporting for State and Local Governments

True/False Questions

1. A Comprehensive Annual Financial Report (CAFR) would include an introductory section, management's discussion and analysis, basic financial statements, required supplementary information other than MD&A, combining and individual fund statements, narrative explanations, and statistical section.

   Answer: True
   Learning Objective: 1
   Topic: Overview of the CAFR
   Feedback: The CAFR has three major sections; introductory which includes MD&A, financial which includes basic financial statements, RSI other than MD&A, combining and individual fund statements and narrative explanations, and the statistical section.

2. The three major sections of a CAFR are the Introductory, Financial, and Statistical sections.

   Answer: True
   Learning Objective: 1
   Topic: Overview of the CAFR
   Feedback: The CAFR has three major sections; introductory, financial and statistical.

3. The introductory and statistical sections of a CAFR are required to be audited.

   Answer: False
   Learning Objective: 1
   Topic: Overview of the CAFR
   Feedback: The introductory and statistical sections of a CAFR are not audited.

4. State and local governments are **not** required to prepare a CAFR.

   Answer: True
   Learning Objective: 1
   Topic: Overview of the CAFR
   Feedback: State and local governments are encouraged, but not required, to prepare a CAFR.

5. Combining statements are required whenever a non-major column is used in one of the fund financial statements.

   Answer: True
   Learning Objective: 1

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Topic: Fund basis statements
Feedback: A complete CAFR presents combining statements to reflect its nonmajor funds whenever a nonmajor column is used in one of the fund statements.

6. A complete CAFR includes combining financial statements to reflect nonmajor funds.

   Answer: True
   Learning Objective: 1
   Topic: Fund basis statements
   Feedback: A complete CAFR presents combining statements to reflect its nonmajor funds whenever a nonmajor column is used in one of the fund statements.

7. In addition to the government-wide statements, governments are required to prepare fund financial statements for governmental, proprietary and fiduciary funds.

   Answer: True
   Learning Objective: 1
   Topic: Fund basis statements
   Feedback: In addition to the government-wide statement, governments are required to prepare fund-level financial statements within the three categories of funds: governmental, proprietary and fiduciary.

8. In addition to the government-wide statements, governments are required to prepare fund financial statements for governmental funds only.

   Answer: False
   Learning Objective: 1
   Topic: Fund basis statements
   Feedback: In addition to the government-wide statement, governments are required to prepare fund-level financial statements within the three categories of funds: governmental, proprietary and fiduciary.

9. The General Fund is not always considered to be a major fund when preparing fund basis financial statements.

   Answer: False
   Learning Objective: 1
   Topic: Reporting by Major Funds
   Feedback: In addition to the government-wide statement, governments are required to prepare fund-level financial statements and are required to present separate columns for each major fund. The general fund is considered a major fund for reporting purposes.

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10. With respect to fund basis financial statements, governmental funds are considered to be a major fund when total assets, liabilities, revenues and expenditures combined are at least 10% of the total for the governmental funds category.

    Answer: False
    Learning Objective: 1
    Topic: Reporting by Major Funds
    Feedback: Governmental funds, other than the general fund, are considered to be a major fund when both of the following conditions are met: 1) Total assets, liabilities, revenues or expenditures of that individual government fund constitute 10% of the total for the governmental funds category and 2) Total assets, liabilities, revenues or expenditures of that individual government fund are 5% of the total of the governmental and enterprise categories, combined.

11. With respect to fund basis financial statements, a government may only designate a fund to be a major fund if it meets the size thresholds established by GASB.

    Answer: False
    Learning Objective: 1
    Topic: Reporting by Major Funds
    Feedback: A government may designate any fund as a major fund if reporting that fund separately would be useful.

12. With respect to fund basis financial statements, a government may designate any fund to be a major fund if reporting that fund separately would be useful.

    Answer: True
    Learning Objective:1
    Topic: Reporting by Major Funds
    Feedback: The general fund is always a major fund and a fund is considered to be a major fund if certain criteria are met. In addition, governments may designate any other fund to be a major fund if reporting that fund separately would be useful.

13. When preparing fund basis financial statements, any funds not reported separately are aggregated and reported in a single column under the label *nonmajor funds*.

    Answer: True
    Learning Objective: 1
    Topic: Reporting by Major Funds
    Feedback: Any funds not reported separately are aggregated and reported in a single column under the label nonmajor funds. A schedule showing the detail of nonmajor

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funds is provided in the other supplementary information section.

14. When preparing fund basis financial statements, any funds not reported separately are reported individually by function.

    Answer: False
    Learning Objective:1
    Topic: Reporting by Major Funds
    Feedback: Any funds not reported separately are aggregated and reported in a single column under the label nonmajor funds. A schedule showing the detail of nonmajor funds is provided in the other supplementary information section.

15. Fiduciary fund statements are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

    Answer: False
    Learning Objective: 3
    Topic: Fund basis statements
    Feedback: Fiduciary funds use the economic resources measurement focus and accrual accounting. Fiduciary funds do not have revenues or expenses, rather they have additions and deductions.

16. Governmental fund statements are prepared using the economic financial resources measurement focus and modified accrual basis of accounting.

    Answer: False
    Learning Objective: 3
    Topic: Fund basis statements
    Feedback: Governmental funds are prepared using the economic resources measurement focus and accrual basis accounting.

17. According to the GASB, a primary government can only be a state or a general-purpose local government, such as a city or county.

    Answer: False
    Learning Objective: 2
    Topic: The governmental reporting entity
    Feedback: The primary government can be a state government, a general-purpose local government such as a city or county, or a special purpose government such as a school district.

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18. Blending of financial information is done when component units and the primary government are so intertwined that they are essentially the same.

    Answer: True
    Learning Objective: 2
    Topic: The governmental reporting entity
    Feedback: Blending is appropriate when the component unit is so intertwined with the primary government that they are in substance the same entity.

19. The statistical section of the CAFR contains the combining schedules of non-major funds.

    Answer: False
    Learning Objective: 1
    Topic: Statistical section
    Feedback: The purpose of the statistical section of the CAFR is to provide historical information and additional detail to help the financial statement user better understand and assess a government's economic condition

20. The government-wide financial statements present the government as a whole, including component units and including fiduciary activities.

    Answer: False
    Learning Objective: 2
    Topic: Government-wide statements
    Feedback: Fiduciary funds are not included in the government-wide financial statements.

21. The basic financial statements of a state or local governmental unit include the MD&A, government-wide statements, fund statements, and the notes.

    Answer: False
    Learning Objective: 1
    Topic: Require contents of governmental financial reports
    Feedback: The basic financial statements consist of the government-wide, the governmental fund, the proprietary fund, and the fiduciary fund financial statements (and the notes to the financial statements).

22. Governmental-type fund financial statements include the Balance Sheet and the Statement of Revenues, Expenditures, Changes in Fund Balances, and a Statement of Cash Flows.

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Answer: False
Learning Objective: 1
Topic: Required contents of governmental financial reports
Feedback: Governmental-type fund financial statements include the Balance Sheet, Statement of Revenues, Expenditures and Changes in Fund Balances and the Reconciliation of governmental statements to government-wide statements. Statement of Cash Flows is not required.

23. Governmental-type fund financial statements do **not** include a Statement of Cash Flows.

Answer: True
Learning Objective: 1
Topic: Required contents of governmental financial reports
Feedback: Governmental-type fund financial statements include the Balance Sheet, Statement of Revenues, Expenditures and Changes in Fund Balances and the Reconciliation of governmental statements to government-wide statements. Statement of Cash Flows is not required.

24. Governmental fund financial statements include columns for the General Fund and all other "major" governmental funds.

Answer: True
Learning Objective: 1
Topic: Fund basis financial statements
Feedback: In addition to the government-wide statement, governments are required to prepare fund-level financial statements. Because governments may have many governmental funds and proprietary funds, governments are only required to present separate columns for each major fund. The general fund is always considered to be a major fund.

25. The total fund balances reported in the total column of the fund basis statements must be reconciled to the total Net Position presented in the governmental activities column of the government-wide Statement of Net Position

Answer: True
Learning Objective: 3
Topic: Reconciliation of fund basis and government-wide statements
Feedback: The fund balance reported in the Governmental Funds Balance Sheet must be reconciled to the net position of governmental activities in the Statement of Net Position. These amounts differ because the two statements have different bases of accounting and because most internal service funds are included in the governmental

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activities column on the government-wide statements.

26. Entities which are determined to be component units of state and local governmental units must be discretely presented in the financial statements.

    Answer: False
    Learning Objective: 2
    Topic: Financial reporting entity
    Feedback: GASB Codification Sec. 21 establishes that the financial reporting entity is the primary government together with its component units. GASB standards provide two methods for including component unit financial information with that of the primary government; blending and discrete presentation.

27. The government-wide financial statements are prepared using the current resources measurement focus and accrual basis of accounting.

    Answer: False
    Learning Objective: 3
    Topic: Government-wide statements
    Feedback: Government-wide statements are prepared using the accrual basis of accounting and the economic resources measurement focus.

28. The government-wide financial statements do **not** include a Statement of Cash Flows.

    Answer: True
    Learning Objective: 1
    Topic: Government-wide statements
    Feedback: Government -wide financial statements include the Government-wide Statement of Net Position and the Government-wide Statement of Activities. The Statement of Cash Flows is not a required statement.

29. Prior-year data is required for government-wide financial statements.

    Answer: False
    Learning Objective: 3
    Topic: Government-wide statements
    Feedback: Prior year data, typically 10 years, is presented with the statistical section of the CAFR and is optional.

30. The governmental fund statements are prepared using the current financial resources measurement focus and accrual basis of accounting.

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Answer: False
Learning Objective: 3
Topic: Fund basis statements
Feedback: Governmental fund statements use the accrual basis of accounting and the current financial resources measurement focus.

31. The fiduciary fund financial statements are prepared using the economic financial resources measurement focus and accrual basis of accounting.

Answer: True
Learning Objective: 3
Topic: Fund basis statements
Feedback: Fiduciary funds use the economic resource measurement focus and the accrual basis of accounting. Activity accounts are labeled additions and deductions rather than revenues and expenses.

32. The General Fund is always a major fund for purposes of financial reporting.

Answer: True
Learning Objective: 1
Topic: Reporting by major funds
Feedback: Governments are required to present separate columns for each major fund. The general fund is always considered to be a major fund for reporting purposes.

33. Notes to the financial statements must distinguish between the primary government and discretely presented component units.

Answer: True
Learning Objective: 2
Topic: Financial reporting entity
Feedback: Notes to the financial statements must distinguish between the primary government and discretely presented component units

34. General purpose governments engaged in both governmental and business type activities prepare governmental fund, proprietary fund and government-wide financial statements.

Answer: True
Learning Objective: 1
Topic: Contents of basic financial statements
Feedback: General purpose governments engaged in both governmental and business type activities prepare governmental fund, proprietary fund and government-wide financial statements.

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35. Only governmental fund statements include separate columns for discretely presented component units.

    Answer: False
    Learning Objective: 2
    Topic: Component units
    Feedback: Governmental fund statements include separate columns for each major fund. Any funds not reported separately are aggregated and reported in a single column under the label *nonmajor funds.* When it is determined that an organization is a component unit and must be included in the financial report of a primary government, it can use one of two methods; blending and discrete presentation. Most commonly, separate columns are used to present component units.

36. Governmental accounting standards require the statistical section.

    Answer: False
    Learning Objective: 1
    Topic: Statistical section
    Feedback: The statistical section is optional.

37. The Government-wide financial statements include a separate column for fiduciary fund information.

    Answer: False
    Learning Objective: 1
    Topic: Government-wide statements
    Feedback: Fiduciary activities are not included in the government-wide statements.

38. Management's Discussion and Analysis (MD&A) in The Comprehensive Annual Financial Report (CAFR) is part of the Financial Section.

    Answer: True
    Learning Objective: 1
    Topic: Required supplementary information
    Feedback: MD&A is part of the required supplementary information required in the financial section of the CAFR

39. Government-wide statements are to be prepared using the economic resources measurement focus and accrual basis of accounting.

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Answer: True
Learning Objective: 3
Topic: Government-wide statements
Feedback: Government-wide statements are prepared using the accrual basis of accounting and the economic resources measurement focus.

40. Government-wide statements are to be prepared using the current financial resources measurement focus and modified accrual basis of accounting.

Answer: False
Learning Objective: 3
Topic: Government-wide statements
Feedback: Government-wide statements are prepared using the accrual basis of accounting and the economic resources measurement focus.

41. Prior-year data may be presented but are not required on government-wide statements

Answer: True
Learning Objective: 3
Topic: Government-wide statements
Feedback: Prior year data may be presented, but it is not required.

42. Prior-year data are required to be presented on government-wide statements

Answer: False
Learning Objective: 3
Topic: Government-wide statements
Feedback: Prior year data may be presented, but it is not required.

43. Proprietary funds are required to prepare a Statement of Cash Flows from operating activities using the direct method.

Answer: True
Learning Objective: 3
Topic: Fund basis statements
Feedback: Proprietary funds are the only funds that report a Statement of Cash Flows. GASB requires governments to prepare cash flows from operating activities using the direct method.

44. A Comprehensive Annual Financial Report for a state or local governmental unit should contain an introductory section, a financial section, and a statistical section

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Answer: True
Learning Objective: 1
Topic: Overview of the CAFR
Feedback: The CAFR has three major sections: introductory, financial and statistical.

45. A government may **not** selectively designate any fund to be a major fund even if reporting the fund separately would be useful.

Answer: False
Learning Objective: 1
Topic: Reporting by major funds
Feedback: The general fund is always a major fund and a fund is considered to be a major fund if certain criteria are met. In addition, governments may designate any other fund to be a major fund if reporting that fund separately would be useful

46. The Comprehensive Annual Financial Report (CAFR) contains four major sections: introductory, financial, supplementary, and statistical.

Answer: False
Learning Objective: 1
Topic: Overview of the CAFR
Feedback: The CAFR has three major sections: introductory, financial and statistical.

47. The fund balance reported in the Governmental Funds Balance Sheet must equal the total Net Position in the governmental activities column of the government-wide Statements of Net Position.

Answer: False
Learning Objective: 3
Topic: Reconciliation of fund basis and government-wide statements
Feedback: The fund balance reported in the Governmental Funds Balance Sheet must be reconciled to the net position of governmental activities in the Statement of Net Position. These amounts differ because the two statements have different bases of accounting and because most internal service funds are included in the governmental activities column on the government-wide statements.

48. Fund balance is an account title used only in governmental funds to indicate the excess of assets over liabilities.

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Answer: True
Learning Objective: 1
Topic: Fund basis statements
Feedback: The excess of assets and deferred outflows over liabilities and deferred inflows is labeled fund balance, an account title used only in governmental funds.

49. The Governmental Accounting Standards Board considers the financial reporting entity to include the primary government, but **not** its component units.

Answer: False
Learning Objective: 2
Topic: Financial reporting entity
Feedback: GASB Codification Sec. 21 establishes that the financial reporting entity is the primary government together with its component units. GASB standards provide two methods for including component unit financial information with that of the primary government; blending and discrete presentation

50. GASB requires governments to prepare cash flows from operating activities using the indirect method for a proprietary fund.

Answer: False
Learning Objective: 3
Topic: Proprietary funds
Feedback: Proprietary funds are the only funds that report a Statement of Cash Flows. GASB requires governments to prepare cash flows from operating activities using the direct method.

51. When performing an audit of the CAFR, auditors review the material to establish that it is not misleading in relation to the basic statements but do not include the MD&A in the scope of the audit.

Answer: True
Learning Objective: 1
Topic: Required supplementary information
Feedback: The MD&A is not audited.

52. Fiduciary funds are not included in the government-wide statements.

Answer: True
Learning Objective: 1
Topic: Fiduciary funds

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Feedback: Fiduciary funds are not included in the government-wide statements

53. Prior year balances are required to be presented in government-wide statements.

Answer: False
Learning Objective: 3
Topic: Government-wide statements
Feedback: Prior year data, typically 10 years, is presented with the statistical section of the CAFR and is optional.

54. Permanent funds are not presented as part of the government-wide statements.

Answer: False
Learning Objective: 3
Topic: Government-wide statements
Feedback: All governmental type funds, including permanent fund, are included in the government-wide statements

55. Internal service funds typically are not included in the governmental activities column on the government-wide statements.

Answer: False
Learning Objective: 3
Topic: Government-wide statements
Feedback: Internal service funds are proprietary funds and are most commonly included in the government-wide statements.

56. Because proprietary funds use a different basis of accounting than the government-wide statements, there must be a reconciliation between the two sets of statements.

Answer: False
Learning Objective: 3
Topic: Reconciliation fund basis to government-wide statements
Feedback: Proprietary fund statements and government-wide statements both use accrual accounting.

57. Governments who prepare government-wide statements are not required to prepare separate fund-level financial statements within the three categories of funds: governmental, proprietary, and fiduciary.

Answer: False

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Learning Objective: 1
Topic: Fund basis statements
Feedback: In addition to the government-wide statement, governments are required to prepare fund-level financial statements within the three categories of funds; governmental, proprietary and fiduciary.

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Multiple Choice Questions

58. Which of the following is true regarding the proprietary fund financial statements?
    A) Statements include the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Fund Net Position, and Statement of Cash Flows.
    B) Normally, a reconciliation is required between the proprietary fund financial statements and the business-type activities column in the government-wide financial statements.
    C) The Statement of Net Position reflects equity as contributed equity and retained earnings.
    D) The Statement of Cash Flows may be prepared using either the direct or indirect methods.

    Answer: A
    Learning Objective: 1
    Topic: Proprietary funds
    Feedback: Proprietary funds include the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Fund Net Position, and Statement of Cash Flows.

59. Which of the following is true regarding the fiduciary fund financial statements?
    A) Fiduciary fund financial statements are prepared using the current financial resources measurement focus and modified accrual basis of accounting.
    B) Fiduciary fund financial statements reflect equity as reserved and unreserved.
    C) Agency funds are reported only on the Statement of Changes in Fiduciary Net Position.
    D) Fiduciary fund financial statements include the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position.

    Answer: D
    Learning Objective: 1
    Topic: Fiduciary funds
    Feedback: Fiduciary fund statements use accrual accounting and the economic resources measurement focus. Fiduciary funds prepare the Statement of Net Position and the Statement of Changes in Fiduciary Net Position.

60. Which of the following is **not** considered Required supplementary Information (RSI)?
    A) Notes to the financial statements.
    B) Budgetary Comparison Schedule.
    C) Management's Discussion and Analysis.
    D) None of the above; all are considered RSI.

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Answer: A
Learning Objective: 1
Topic: Required supplementary information
Feedback: RSI includes MD&A, information about infrastructure, budgetary comparison schedule, funding schedules, schedules required for external financing pools, pension schedules and schedules of risk management activities. Notes to the financial statements are required and not part of RSI.

61. Which of the following is considered Required supplementary Information (RSI)?
    A) Management's Discussion and Analysis.
    B) Budgetary Comparison Schedule.
    C) Schedule of Risk Management Activities.
    D) All of the above are considered RSI.

    Answer: D
    Learning Objective: 1
    Topic: Required supplementary information
    Feedback: RSI includes MD&A, information about infrastructure, budgetary comparison schedule, funding schedules, schedules required for external financing pools, pension schedules and schedules of risk management activities.

62. Governmental-type funds label the excess of assets over liabilities on the balance sheet as:
    A) Net Position
    B) Net Fund Balance and Liabilities
    C) Fund Balance
    D) Assets Net of Liabilities

    Answer: C
    Learning Objective: 3
    Topic: Governmental funds
    Feedback: The excess of assets and deferred outflows over liabilities and deferred inflows is labeled fund balance, an account title used only in governmental funds.

63. In addition to the government-wide statements, governments are required to prepare fund financial statements for which of the following category of funds?
    A) Proprietary funds
    B) Governmental type funds
    C) Fiduciary funds
    D) All of the above

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Answer: D
Learning Objective: 1
Topic: Reporting by major funds
Feedback: In addition to the government-wide statement, governments are required to prepare fund-level financial statements within the three categories of funds; governmental, proprietary and fiduciary.

64. Which of the following is true regarding the Comprehensive Annual Financial Report (CAFR)?
    A) The CAFR has three main sections: introductory, financial, and statistical.
    B) Required supplementary Information includes a Budgetary Comparison Schedule for the General Fund and all major special revenue funds that have a legally adopted annual budget (unless a statement is prepared).
    C) Both of the above.
    D) Neither of the above.

    Answer: C
    Learning Objective: 1
    Topic: Contents of financial report
    Feedback: The CAFR has 3 main sections; introductory, financial and statistical. A budgetary comparison schedule is required of the General Fund and each major special revenue fund that has a legally adopted budget.

65. Which of the following is true regarding the government-wide statements?
    A) The government-wide statements include a Statement of Net Position and a Statement of Activities.
    B) The governmental activities portion of the government-wide statements is prepared using the current financial resources measurement focus and modified accrual basis of accounting.
    C) Neither of the above.
    D) Both of the above.

    Answer: A
    Learning Objective: 1
    Topic: Government-wide statements
    Feedback: The government-wide statements are the Government-wide statement of Net Position and the Government-wide Statement of Activities. Government-wide statements are prepared using the accrual basis of accounting and the economic resources measurement focus.

66. Which of the following is true regarding the government-wide Statement of Net Position?

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A) Discretely presented component units are included in a separate column (or columns).
B) Net Position is displayed in three categories: net investment in capital assets, reserved, and unreserved.
C) Both of the above.
D) Neither of the above.

Answer: A
Learning Objective: 3
Topic: Government-wide statements
Feedback: In addition to the governmental activities and business-type activities, information is presented in a separate column for the government's discretely presented component units. The difference between assets and liabilities is called net position and is reported in three categories; Net investment in capital assets, Restricted net position and Unrestricted net position.

67. Which of the following is true with respect to the General Fund

A) The General Fund is considered to be a major fund if the combined total of assets, liabilities, revenues and expenses exceeds 10% of the total of all governmental funds
B) The General Fund is considered to be a major fund when preparing fund basis financial statements if it bears a financial benefit or burden to the primary government.
C) The General Fund is always considered to be a major fund when preparing fund basis financial statements.
D) The General Fund is not reported as part of the CAFR.

Answer: C
Learning Objective: 1
Topic: Reporting by major fund
Feedback: The general fund is always considered to be a major fund. Other governmental funds are considered to be a major fund when both of the following conditions exists; 1) Total assets, liabilities, revenues or expenditures of that individual government fund constitute 10% of the total for the governmental funds category and 2) Total assets, liabilities, revenues or expenditures of that individual government fund are 5% of the total of the governmental and enterprise categories, combined. In addition, a government may designate any fund as a major fund if reporting that fund separately would be useful.

68. With respect to the preparation of fund basis financial statements, governmental funds other than the General Fund are considered to be major when which of the following conditions exist?

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A) With respect to fund basis financial statements, governmental funds are considered to be a major fund when total assets, liabilities, revenues, or expenditures of that individual governmental fund constitutes 10% of the total for the governmental fund category.
B) With respect to fund basis financial statements, governmental funds are considered to be a major fund when total assets, liabilities, revenues, or expenditures of that individual governmental or enterprise fund are 5% of the total of the governmental and enterprise categories, combined.
C) Both A and B are required for a governmental fund to be a major fund.
D) Either A or B would fulfill the requirements.

Answer: C
Learning Objective: 1
Topic: Reporting by major fund
Feedback: The general fund is always considered to be a major fund. Other governmental funds are considered to be a major fund when both of the following conditions exists; 1) Total assets, liabilities, revenues or expenditures of that individual government fund constitute 10% of the total for the governmental funds category and 2) Total assets, liabilities, revenues or expenditures of that individual government fund are 5% of the total of the governmental and enterprise categories, combined. In addition, a government may designate any fund as a major fund if reporting that fund separately would be useful.

69. With respect to the preparation of fund basis financial statements, governmental funds other than the General fund are considered to be major when which of the following conditions exist?
A) With respect to fund basis financial statements, governmental funds are considered to be a major fund when total assets, liabilities, revenues, or expenditures of the individual governmental fund under consideration constitutes 25% of the total for the governmental fund category.
B) With respect to fund basis financial statements, governmental funds are considered to be a major fund when total assets, liabilities, revenues, or expenditures of individual governmental or enterprise fund under consideration are 15% of the total of the governmental funds and enterprise categories, combined.
C) Both A and B are required for a governmental fund to be a major fund.
D) Neither A nor B are correct.

Answer: D
Learning Objective: 1
Topic: Reporting by major funds
Feedback: The general fund is always considered to be a major fund. Other

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governmental funds are considered to be a major fund when both of the following conditions exists; 1) Total assets, liabilities, revenues or expenditures of that individual government fund constitute 10% of the total for the governmental funds category and 2) Total assets, liabilities, revenues or expenditures of that individual government fund are 5% of the total of the governmental and enterprise categories, combined. In addition, a government may designate any fund as a major fund if reporting that fund separately would be useful.

70. Which of the following statements is false?

A) With respect to fund basis financial statements, a government may designate any fund to be a major fund if reporting that fund separately would be useful.
B) When preparing fund basis financial statements, any funds not reported separately are reported by function.
C) When preparing fund basis financial statements, any funds not reported separately are aggregated and reported in a single column under the label *non-major funds*.
D) In addition to the government-wide statements, governments are required to prepare fund financial statements for governmental, proprietary and fiduciary funds.

Answer: B
Learning Objective: 1
Topic: Reporting by major funds
Feedback: When preparing fund basis financial statements, any funds not reported separately are aggregated and reported in a single column under the label *nonmajor funds.*

71. Governmental fund statements are prepared using:

A) Economic resources measurement focus and modified accrual basis of accounting.
B) Current financial resources measurement focus and modified accrual basis of accounting.
C) Economic resources measurement focus and accrual basis of accounting.
D) Current financial resources measurement focus and accrual basis of accounting.

Answer: B
Learning Objective: 3
Topic: Governmental funds
Feedback: Governmental fund statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting.

72. The total fund balances presented in Governmental Funds Statements are different from

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the total Net Position on the government-wide Statement of Net Position. Which of the following is **not** a reason for this difference?

A) The two statements have different bases of accounting
B) Capital assets used in government operations are not financial resources and therefore are not reported in the funds
C) Some liabilities are not due and payable in the current period and are not reported in fund liabilities
D) Accrued Wages Payable at year end are reported on the statement of Net Position but are not reported in the fund statements

Answer: D
Learning Objective: 3
Topic: Reconciliation of fund basis to government-wide statements
Feedback: The total fund balances presented in Governmental Funds Statements are different from the total Net Position on the government-wide Statement of Net Position because the two statements have different bases of accounting and because most internal service funds are included in the governmental activities column on the government-wide statements. Capital assets used in governmental operations are not financial resources and therefore not reported in the funds. Some liabilities are not due and payable in the current period and are not reported in fund balances. Accrued wages payable at year end are reported in both.

73. Which of the following is true regarding GASB's definition of the financial reporting entity?

A) The financial reporting entity might include a primary government, component units, joint ventures, or a jointly governed organization.
B) Primary governments may be general-purpose governments (such as states, cities, and counties) or special-purpose governments that have separately elected governing bodies, are legally separate and are fiscally independent of other state or local governments.
C) Blending is used to incorporate component units when those component units are, in substance, part of the primary government.
D) All of the above are true.

Answer: D
Learning Objective: 2
Topic: Financial reporting entity
Feedback: GASB Section 2100 establishes that the financial reporting entity is the primary government together with its component units. The primary government can be a state government, a general-purpose local government, or a special-purpose government. Blending is used to incorporate component units when the component unit is so intertwined with the primary government that they are in substance the same

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entity.

74. Which of the following is true regarding the financial reporting entity of a state or local government?
    A) Many component units are discretely presented, rather than blended.
    B) Only a primary government is reported in the government-wide statements.
    C) A school district could never be a primary government.
    D) Both B and C are true

    Answer: A
    Learning Objective: 2
    Topic: Component units
    Feedback: Component units are more commonly reported using discrete presentation rather than blended. Government-wide statements report governmental and business activities which comprise the primary government. Similar information is presented in a separate column for the government's discretely presented component units. A school district can be a primary government.

75. Which of the following is false regarding the financial reporting entity of a state or local government?
    A) Many component units are discretely presented, rather than blended.
    B) Only a primary government is reported in the government-wide statements.
    C) A school district can be a primary government.
    D) Both B and C are false

    Answer: B
    Learning Objective: 2
    Topic: Component units
    Feedback: Component units are more commonly reported using discrete presentation rather than blended. Government-wide statements report governmental and business activities which comprise the primary government. Similar information is presented in a separate column for the government's discretely presented component units. A school district can be a primary government.

76. Which of the following is true regarding the composition of the Comprehensive Annual Financial Report (CAFR)?
    A) The CAFR is to include both blended and discretely presented component units.
    B) The CAFR is required in order to be in conformity with Generally Accepted Accounting Principles (GAAP).
    C) The CAFR contains four major sections: introductory, financial, supplementary, and statistical.

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D) All of the above are true.

Answer: A
Learning Objective: 2
Topic: Component units
Feedback: The CAFR has three major sections: introductory, financial and statistical.

77. Which of the following is true regarding Management's Discussion and Analysis (MD&A)?
A) MD&A is not considered part of Required supplementary Information (RSI).
B) MD&A takes the place of footnotes.
C) MD&A should present an analysis of significant variations between the original and final budget.
D) All of the above are true.

Answer: C
Learning Objective: 1
Topic: Required supplementary information
Feedback: MD&A is part of RSI. MD&A does not take the place of footnotes. GASB requires eight specific items that must be included one of which is an analysis of significant variations between original and final budget amounts and between final budget amounts and actual results for the General Fund.

78. Under GASB rules for the financial reporting entity:
A) Component units must be reported in columns (discrete presentation) separate from the funds of a primary government.
B) Counties are component units of the State Government.
C) Blended and discretely presented component units are to be reported in government-wide financial statements but **not** in fund financial statements.
D) Component units are included if the primary government is financially accountable for their operations.

Answer: D
Learning Objective: 2
Topic: Component units
Feedback: GASB standards provide two methods for including component unit financial information: blending and discrete presentation. Counties can be a primary government. The financial reporting entity is the primary government together with its component units. Component units are legally separate organizations for which the primary government is financially accountable.

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Chapter 2 Overview of Financial Reporting for State and Local Governments

79. Which of the following is included in Required supplementary Information (RSI)?
    A) Management's Discussion and Analysis (MD&A).
    B) Budgetary Comparison Schedule.
    C) The Schedule of Funding Progress and Schedule of Employer Contributions when the government reports a pension trust fund.
    D) All of the above.

    Answer: D
    Learning Objective: 1
    Topic: Required supplementary information
    Feedback: RSI includes MD&A, information required when using the modified approach to infrastructure, budgetary comparison schedule, pension schedules and schedules of risk management activities.

80. Which of the following is **true** regarding the government-wide financial statements?
    A) The government-wide financial statements are **not** required to present prior-year data.
    B) The government-wide financial statements include a Statement of Net Position and a Statement of Activities, but **not** a Statement of Cash Flows.
    C) The government-wide financial statements include capital assets, including infrastructure, and reflect depreciation, except for infrastructure using the modified approach.
    D) All of the above are true.

    Answer: D
    Learning Objective: 1
    Topic: Government-wide statements
    Feedback: Prior year balances may be presented but are not required. Government-wide statements include the Statement of Net Position and the Statement of Activities. Statement of Cash Flows is not required. Capital assets are reported net of accumulated depreciation unless the modified approach is used for reporting infrastructure.

81. Which of the following is true regarding the government-wide Statement of Net Position?
    A) A reporting entity (primary government plus component units) total column is required.
    B) The government-wide Statement of Net Position reflects capital assets, net of accumulated depreciation, for both governmental and business-type activities.
    C) The government-wide Statement of Net Position must be prepared in a classified format; that is, both assets and liabilities must be separated between current and long-term categories.
    D) The government-wide Statement of Net Position includes all resources entrusted to

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the government; including governmental, proprietary, and fiduciary.

Answer: B
Learning Objective: 3
Topic: Government-wide statements
Feedback: Governmental and business-type activities are totaled but component units are separately stated in the government-wide statements. Capital assets are reported net of accumulated depreciation for both governmental and business-type activities in the government-wide statements unless the modified approach is used for reporting infrastructure. The Statement of Net Position may be presented using the classified approach, but it is not required in the government-wide statements. Fiduciary activities are not included in the government-wide statements.

82. Which of the following is true regarding the government-wide Statement of Activities?
A) The government-wide Statement of Activities may reflect expenses either by function (general government, public safety, etc.) or by object or natural classification (salaries, supplies, etc.).
B) The government-wide Statement of Activities reflects taxes as general revenues.
C) The government-wide Statement of Activities is prepared using the modified accrual basis of accounting for governmental activities and using the accrual basis of accounting for business-type activities.
D) Indirect program expenses may **not** be allocated to the other functional areas.

Answer: B
Learning Objective: 3
Topic: Government-wide statements
Feedback: In the government-wide Statement of Activities, direct expenses are required to be reported by function. All taxes levied by the government, including those restricted to a particular purpose, are reported as general revenues. Although rarely done, governments may allocate indirect expenses to functions.

83. Which of the following is true regarding the government-wide Statement of Activities?
A) In the government-wide Statement of Activities, "special items" are those items that are both unusual and infrequent and are **not** under the control of management.
B) Transfers between governmental and business type activities are eliminated and do **not** appear on the government-wide Statement of Activities.
C) The Statement of Activities includes depreciation expense.
D) Taxes levied, including those restricted to a particular purpose, are reported as program revenue.

Answer: C
Learning Objective: 3

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Topic: Government-wide statements
Feedback: In the government-wide statements, "special items" are items within the control of management but which are unusual in nature or infrequent in occurrence. Transfers between governmental and business-type activities are displayed in the general revenues section and offset. All taxes levied by the government, including those restricted to a particular purpose, are reported as general revenues.

84. Which of the following is true regarding the governmental fund financial statements?
    A) The governmental fund financial statements include the Balance Sheet, and the Statement of Revenues, Expenditures, and Changes in Fund Balances.
    B) The governmental fund financial statements are prepared on the current financial resources measurement focus and modified accrual basis of accounting.
    C) The governmental fund Balance Sheet reflects the residual equity as Fund Balance.
    D) All of the above are true.

    Answer: D
    Learning Objective: 3
    Topic: Fund basis statements
    Feedback: The governmental fund financial statements include the Balance Sheet, and the Statement of Revenues, Expenditures, and Changes in Fund Balances and are prepared on the current financial resources measurement focus and modified accrual basis of accounting. The excess of assets and deferred outflows over liabilities and deferred inflows is labeled fund balance for a governmental fund.

85. Which of the following items would likely appear in the reconciliation between the governmental fund financial statements and the governmental activities column in the government-wide financial statements?
    A) The inclusion of long-term liabilities in the government-wide financial statements and **not** in the governmental fund financial statements.
    B) The inclusion of depreciation of capital assets in the governmental activities column of the government-wide financial statements and **not** in the governmental fund statements.
    C) The additional accrual of some revenues and expenses in the government-wide financial statements that were **not** made in the governmental fund financial statements.
    D) All of the above.

    Answer: D
    Learning Objective: 3
    Topic: Reconciliation of fund basis to government-wide statements

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Feedback: A) B) and C) would all appear in the reconciliation between governmental fund financial statements and the governmental activities column in the government-wide financial statements.

86. Which of the following is true regarding the Budgetary Comparison Schedule?
    A) The Budgetary Comparison Schedule compares the actual results to both the original budget and the final budget, but display of variances is optional.
    B) The Budgetary Comparison Schedule is considered part of the basic financial statements.
    C) The Budgetary Comparison Schedule must be prepared for the General Fund and each major special revenue fund that has a legally adopted budget.
    D) Both (A) and (C) are true.

    Answer: D
    Learning Objective: 3
    Topic: Required supplementary information
    Feedback: A budgetary comparison schedule includes the original budget, the final appropriated budget and the actual resulted computed on the same basis as the budget. The variance column is optional. The budgetary comparison schedule is required as part of RSI and is required for the General Fund and each major special fund that has a legally adopted budget.

87. Which of the following is <u>false</u> regarding major fund reporting for governmental funds?
    A) The General Fund is always a major fund.
    B) Each fund that is considered major must be reported in a separate column in the governmental funds financial statements.
    C) A government may designate any fund as major if it feels that reporting that fund in the basic financial statements would be useful.
    D) None of the above, all are true.

    Answer: D
    Learning Objective: 1
    Topic: Determination of major funds
    Feedback: Al of statements are true. The General Fund is always a major fund. Each fund that is considered major must be reported in a separate column in the governmental funds financial statements. A government may designate any fund as major if it feels that reporting that fund in the basic financial statements would be useful.

88. Which of the following is true regarding the Comprehensive Annual Financial Report?
    A) The basic financial statements consist of the government-wide, the governmental

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fund, the proprietary fund, and the fiduciary fund financial statements (and the notes to the financial statements).

B) The government-wide financial statements include the Statement of Net Position, the Statement of Activities, and the Statement of Cash Flows.
C) Both (A) and (B) are true.
D) Neither (A) nor (B) is true.

Answer: A
Learning Objective: 1
Topic: Contents of governmental financial reports
Feedback: The basic financial statements consist of the government-wide, the governmental fund, the proprietary fund, and the fiduciary fund financial statements (and the notes to the financial statements). The government-wide statements include the Statement of Net Position and the Statement of Activities.

89. Funds other than the General Fund must be considered a major fund when
A) Total assets, liabilities, revenues, or expenditures/expenses of that fund constitute 10 percent of either the governmental *or* enterprise category.
B) Total assets, liabilities, revenues, or expenditures/expenses of that fund are 5 percent of the total of the governmental *and* enterprise category.
C) Conditions of either A or B exist.
D) Conditions of both A and B exist.

Answer: D
Learning Objective: 1
Topic: Determination of major funds
Feedback: Governmental funds, other than the general fund, are considered to be a major fund when both of the following conditions are met: 1) Total assets, liabilities, revenues or expenditures of that individual government fund constitute 10% of the total for the governmental funds category and 2) Total assets, liabilities, revenues or expenditures of that individual government fund are 5% of the total of the governmental and enterprise categories, combined.

90. Which of the following is true regarding the governmental fund statements?
A) The governmental fund statements include a Statement of Cash Flows prepared on the direct method.
B) The governmental fund statements are prepared using the economic financial resources measurement focus and modified accrual accounting.
C) Both (A) and (B) are true.
D) Neither (A) nor (B) is true.

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Answer: D
Learning Objective: 1
Topic: Fund basis statements
Feedback: Governmental funds do not prepare a Statement of Cash Flows. Governmental funds are prepared using the current financial resources measurement focus and the modified accrual basis of accounting.

91. Which of the following is true regarding the proprietary fund financial statements?
    A) The proprietary fund financial statements include the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Fund Net Position, and the Statement of Cash Flows.
    B) The proprietary funds include enterprise, internal service, and permanent funds.
    C) Both (A) and (B) are true.
    D) Neither (A) nor (B) is true.

    Answer: A
    Learning Objective: 1
    Topic: Proprietary funds
    Feedback: The proprietary fund financial statements include the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Fund Net Position, and the Statement of Cash Flows. Proprietary funds include enterprise and internal service funds.

92. Which of the following is true regarding fiduciary fund financial statements?
    A) Fiduciary fund financial statements include the Statement of Fiduciary Net Position, the Statement of Changes in Fiduciary Net Position, and the Statement of Cash Flows prepared using the direct method.
    B) Fiduciary fund financial statements are prepared on the current financial resources measurement focus and modified accrual accounting.
    C) Both (A) and (B) are true.
    D) Neither (A) nor (B) is true.

    Answer: D
    Learning Objective: 1
    Topic: Fiduciary funds
    Feedback: Fiduciary fund statements include the Statement of Fiduciary Net position, Statement of Changes in Fiduciary Net Position. The Statement of Cash Flows is not required for fiduciary funds. Fiduciary funds use the economic resources measurement focus and accrual accounting.

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Chapter 2 Overview of Financial Reporting for State and Local Governments

93. Which of the following is true regarding the reporting of Budget-Actual Comparisons?
    A) A Budget-Actual Comparison Schedule is required for the General Fund and all major special revenue funds that have a legally adopted annual budget.
    B) A Budget-Actual Comparison Statement may be prepared in lieu of the Schedule.
    C) Both (A) and (B) are true.
    D) Neither (A) nor (B) is true.

    Answer: C
    Learning Objective: 3
    Topic: Required supplementary information
    Feedback: Governments have the option of reporting a budget comparison statement as part of the basic financial statements rather than the budgetary comparison schedule in the RSI. A budgetary comparison schedule is required for the General fund and each major special revenue fund that has a legally adopted budget.

94. An example of an expenditure classification by function for a governmental fund would be:
    A) Public safety.
    B) Capital outlay.
    C) Salaries.
    D) Debt service.

    Answer: A
    Learning Objective: 3
    Topic: Governmental funds
    Feedback: Expenditures reported by function such as public safety, judicial administration and general government. Debt service is reported as interest or principle. Capital outlay and salaries are not function categories.

95. Direct expenses are required to be reported by function in Government-wide statements. Which of the following would not be an appropriate category?
    A) Community development
    B) Capital outlay
    C) Parks and recreation
    D) Health and welfare

    Answer: B
    Learning Objective: 3
    Topic: Government-wide statements
    Feedback: Community development, parks and recreation, and health and recreation would all be function categories. Capital outlay is not a function category.

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Chapter 2 Overview of Financial Reporting for State and Local Governments

96. Which of the following is true regarding the reporting of major funds in the governmental funds financial statements?
    A) The General Fund is always considered a major fund.
    B) A fund is considered major if its revenues, expenditures, assets, or liabilities exceed 10% of the total governmental fund categories and if the same element (revenues, expenditures, assets, or liabilities) exceeds 5% of the governmental and enterprise funds combined.
    C) Both (A) and (B) are true.
    D) Neither (A) nor (B) is true.

    Answer: C
    Learning Objective: 1
    Topic: Determination of major funds
    Feedback: The general fund is always considered to be a major fund. Governmental funds, other than the general fund, are considered to be a major fund when both of the following conditions are met: 1) Total assets, liabilities, revenues or expenditures of that individual government fund constitute 10% of the total for the governmental funds category and 2) Total assets, liabilities, revenues or expenditures of that individual government fund are 5% of the total of the governmental and enterprise categories, combined.

97. Which of the following is true regarding financial reporting of governmental funds?
    A) The Fund Balance of governmental funds reports fund balance as reserved and unreserved.
    B) Governmental funds include the General Fund, special revenue funds, capital projects funds, debt service funds, and permanent funds.
    C) Both (A) and (B) are true.
    D) Neither (A) nor (B) is true.

    Answer: B
    Learning Objective: 1
    Topic: Governmental funds
    Feedback: Fund balance is displayed within the categories of nonspendable, restricted, committed, assigned and unassigned. Governmental funds include the General Fund, special revenue funds, capital projects funds, debt service funds, and permanent funds.

98. Which of the following is true regarding the government-wide Statement of Activities?
    A) General revenues include items such as charges for services and program fees.
    B) Fiduciary activities are included.
    C) Both of the above.
    D) Neither of the above.

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Answer: D
Learning Objective: 3
Topic: Government-wide statements
Feedback: General revenues include tax revenues and those revenues that are not associated directly with a particular function or program. Service charges and program fees are revenues that can be directly associated with a particular function are deducted from the expenses for that function to arrive at a net expense or revenue.

99. Which of the following is true regarding the governmental fund statements?
    A) The Governmental Funds Balance Sheet does **not** reflect capital assets or long-term debt.
    B) The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances reports columns for major funds, non-major funds (in total), and total.
    C) Both of the above.
    D) Neither of the above.

Answer: C
Learning Objective: 3
Topic: Governmental funds
Feedback: The governmental fund statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. For this reason, capital assets and long-term debt do not appear on the balance sheet. The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances reports columns for each major fund, a column for the total non-major funds combined, and total column.

100. Which of the following is true regarding component units?
    A) Component units may be reported discretely in the government-wide statements or may be blended as a fund in the fund financial statements (and thus also included in the government-wide financial statements).
    B) Component units could include towns, school districts, counties, and municipalities.
    C) Both of the above.
    D) Neither of the above.

Answer: A
Learning Objective: 2
Topic: Component units
Feedback: Component units are either blended and included in the financial

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statements of the primary government or presented in separate column on the government-wide statements using discrete presentation. Towns, school districts, counties, and municipalities would be primary governments.

101. Which of the following is true regarding the government-wide financial statements?
A) The government-wide financial statements include the Statement of Net Position and the Statement of Activities.
B) The government-wide financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting.
C) Both of the above.
D) Neither of the above.

Answer: A
Learning Objective: 1
Topic: Government-wide statements
Feedback: Government-wide financial statements include the Government-wide Statement of Net Position and the Government-wide Statement of Activities. The Statement of Cash Flows is not required.

102. Which of the following is true regarding the governmental fund financial statements?
A) The governmental fund financial statements include the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances.
B) The governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting.
C) Both of the above.
D) Neither of the above.

Answer: C
Learning Objective: 1
Topic: Governmental funds
Feedback: The governmental fund financial statements include the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances which are prepared using the current financial resources measurement focus and the modified accrual basis of accounting.

103. Which of the following is true regarding the proprietary fund financial statements?
A) The proprietary fund financial statements include the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Fund Net Position, and the Statement of Cash Flows.
B) The proprietary fund financial statements are prepared using the economic

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resources measurement focus and the accrual basis of accounting.
C) Both of the above.
D) Neither of the above.

Answer: C
Learning Objective: 1
Topic: Proprietary funds
Feedback: The proprietary fund statements include the Statement of Net position, Statement of Revenues, Expenses and Changes in Fund Net Position and Statement of Cash Flows which are prepared using the economic resources measurement focus and the accrual basis of accounting.

104. Which of the following is true regarding the proprietary funds statements?
A) Major enterprise and internal service funds are reported in separate columns; a column is presented for all non-major enterprise and internal service funds (combined), and a total column is presented.
B) Financial statements include a Statement of Net Position, Statement of Revenues, Expenses, and Changes in Fund Net Position, and Statement of Cash Flows.
C) Both of the above.
D) Neither of the above.

Answer: B
Learning Objective: 1
Topic: Proprietary funds
Feedback: Internal services funds do not follow the procedures described for major funds. Governments with more than one internal service fund combine the funds into one column for the Statement of Net Position. Detailed financial statements for each internal service fund are included in the other supplementary information. Proprietary fund financial statements include a Statement of Net Position, Statement of Revenues, Expenses, and Changes in Fund Net Position, and Statement of Cash Flows.

105. Which of the following is true regarding fiduciary fund statements?
A) Fiduciary fund statements include the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position.
B) Fiduciary fund statements are prepared using the current financial resources measurement focus and modified accrual basis of accounting.
C) Both of the above.
D) Neither of the above.

Answer: A
Learning Objective: 1

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Topic: Fiduciary funds
Feedback: Fiduciary fund statements include the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position and are prepared using the economic resource measurement focus and accrual accounting.

106. Which of the following is true regarding fiduciary funds?
A) Fiduciary funds are reported in the fiduciary fund financial statements but **not** in the government-wide financial statements.
B) Agency funds would be reported in both the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position.
C) Both of the above.
D) Neither of the above.

Answer: A
Learning Objective: 1
Topic: Fiduciary funds
Feedback: Fiduciary funds are not included in the government-wide statement; they are included with the fund basis financial statements. Agency funds only prepare the Statement of Fiduciary Net Position. They do not prepare a statement of changes in Fiduciary Net Position because agency funds do not have revenues or expenses.

107. Where in the CAFR would one find the long-term liability for revenue bonds (paid from the revenues of an enterprise fund)?
A) The proprietary funds Statement of Net Position only.
B) The government-wide Statement of Net Position and the proprietary funds Statement of Net Position.
C) The government-wide Statement of Net Position and the RSI Schedule of Bonds Payable.
D) The government-wide Statement of Net Position only.

Answer: B
Learning Objective: 3
Topic: Proprietary funds
Feedback: Long-term liability for revenue bonds would be found in the government wide Statement of Net Position and the proprietary funds Statement of Net Position.

108. Which of the following funds requires a Budgetary Comparison Schedule?
A) Enterprise Funds
B) Internal Service Funds
C) General Fund
D) Investment Trust Funds

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Answer: C
Learning Objective: 1
Topic: Required supplementary information
Feedback: A budgetary comparison schedule is required for the General Fund and each major special revenue fund that has a legally adopted budget.

109. Which part of the financial section of the CAFR is considered "Required supplementary Information?"
A) Auditor's Report
B) Management's Discussion and Analysis
C) Government-Wide Financial Statements
D) Fund Financial Statements

Answer: B
Learning Objective: 1
Topic: Required supplementary information
Feedback: RSI appears in two parts of the financial section; MD&A precedes the financial statements and other RSI schedules follow the notes to the financial statements. The auditor's report and financial statements are not RSI.

110. Which of the following is true regarding Government-wide financial statements?
A) Prior year data must be presented.
B) A Statement of Cash Flows is not required for Government-wide statements.
C) Depreciation may only be reported as a charge in total to the general government.
D) Fiduciary activities are only reported if they qualify as a major fund.

Answer: B
Learning Objective: 3
Topic: Government-wide statements
Feedback: A Statement of Cash Flows is not required for Government-wide statements. Prior year data is optional, depreciation is allocated according to function and fiduciary activities are not included in the government-wide statements.

111. A reconciliation from Enterprise funds statements to government-wide statements is **not** necessary because …
A) They both use the same measurement focus and basis of accounting (economic resources, accrual)
B) They both use the same measurement focus and basis of accounting (current financial resources, modified accrual)

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C) They use a different measurement focus and basis of accounting.
D) Enterprise funds are not included in the government-wide statements

Answer: A
Learning Objective: 1
Topic: Reconciliation fund basis to government-wide statements
Feedback: Enterprise funds use the economic resources measurement focus and the accrual basis of accounting which is the same as the government-wide statements. required.

112. Which of the following Sections of the CAFR is audited?
A) Financial section
B) Statistical section
C) Management Discussion and Analysis section
D) Financial and statistical sections

Answer: A
Learning Objective: 1
Topic: Overview of the CAFR
Feedback: The financial section is audited. MD&A and the statistical section are not audited.

113. The statistical section typically presents ____ years of information in each table or schedule.
A) 3
B) 5
C) 10
D) 12

Answer: C
Learning Objective: 3
Topic: Statistical section
Feedback: The statistical section typically presents ten years of information in each table or schedule.

114. What are the three major sections of the Comprehensive Annual Financial Report?
A) Introductory Section, Financial Section, Budgetary Comparison
B) Introductory Section, Financial Section, Management Discussion and Analysis.
C) Introductory Section, Financial Section, Statistical Section
D) Introductory Section, Financial Section, Reporting Infrastructure

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Answer: C
Learning Objective: 1
Topic: Overview of the CAFR
Feedback: The CAFR has three major sections: introductory, financial and statistical.

115. In addition to a Statement of Net Position, Proprietary Fund level financial statements include which of the following?
A) Statement of Revenues, Expenses, and Changes in Fund Net Position.
B) Statement of Cash Flows.
C) Both of the above.
D) Neither of the above.

Answer: C.
Learning Objective: 1
Topic: Proprietary funds
Feedback: Proprietary funds must prepare the following: Statement of Net Position, Statement of Revenues, Expenses, and Changes in Fund Net Position and Statement of Cash Flows.

116. A budgetary comparison schedule is required for?
A) The General Fund.
B) Each special revenue fund that has a legally adopted annual budget.
C) Enterprise funds.
D) (A) and (B) only.

Answer: D
Learning Objective: 1
Topic: Required supplementary information
Feedback: A budgetary comparison schedule is required of the General Fund and each major special revenue fund that has a legally adopted budget.

117. In addition to a Statement of Net Position, what statements are required in the government-wide Financial Statements?
A) Statement of Activities.
B) Statement of Cash Flows.
C) Both of the above.
D) Neither of the above.

Answer: A
Learning Objective: 1
Topic: Government-wide statements

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Feedback: Government-wide financial statements include the Government-wide Statement of Net Position and the Government-wide Statement of Activities. The Statement of Cash Flows is not required.

118. Which Statement is presented using the accrual basis of accounting?
A) Governmental Fund Balance Sheet
B) Government-Wide Statement of Activities
C) Statement of Revenues, Expenditure and changes in Fund Balances
D) A and C

Answer: B
Learning Objective: 1
Topic: Government-wide statements
Feedback: The government-wide statements use the accrual basis of accounting. Fund basis statements use the modified accrual basis of accounting.

119. A Statement of Cash Flows is required for which type of fund?
A) Proprietary
B) Governmental
C) Fiduciary
D) None of the above

Answer: A
Learning Objective: 1
Topic: Proprietary funds
Feedback: The statement of cash flows is only required for proprietary funds.

120. GASB requires which of the following (if applicable) to be included in the Notes to Financial Statements?
A) Outstanding encumbrances
B) The definition of cash and cash equivalents used in the statement of cash flows for proprietary funds.
C) Interfund receivables and payables.
D) All of the above.

Answer: D
Learning Objective: 3
Topic: Overview of the CAFR
Feedback: Any event that is significant to understanding and interpreting the financial statements should be described in the notes. Outstanding encumbrances, the definition of cash and cash equivalents used in the statement of cash flows for proprietary funds, interfund receivables and payables would all be required.

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Chapter 2 Overview of Financial Reporting for State and Local Governments

121. GASB provides which method(s) for including component unit financial information with that of the primary government?
A) Discrete Presentation
B) Blending
C) A and B
D) None of the above

Answer: C.
Learning Objective: 2
Topic: Component units
Feedback: GASB standards provide two methods for including component unit financial information with that of the primary government; blending and discrete presentation.

122. The modified approach for infrastructure requires schedules and disclosures to be included in which part of the CAFR?
A) Notes to the Financial Statements
B) Other Supplementary Information
C) Required supplementary Information
D) Proprietary Fund Statements

Answer: C.
Learning Objective: 3
Topic: Required supplementary information
Feedback: RSI includes MD&A, information required when using the modified approach to infrastructure, budgetary comparison schedule, pension schedules and schedules of risk management activities.

123. Which of the following is **not** true regarding the Statement of Cash Flows for proprietary funds?
A) Four categories of cash flows are used.
B) Interest and dividends received are recorded as investing activities.
C) The direct method is required for reporting cash flows from operations.
D) All of the above are true statements.

Answer: D
Learning Objective: 3

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Topic: Proprietary funds
Feedback: The Statement of Cash Flows for a proprietary fund is prepared using the direct method. The statement has four categories and investment income is recorded as an investing activity.

124. Which of the following is true about the combining financial statements?
A) They are used whenever a non-major column is used in one of the fund financial statements
B) The total column in the combining statements is not always the same as the non-major funds column in the basic financial statements
C) Both of the above
D) Neither of the above

Answer: A
Learning Objective: 1
Topic: Determination of major funds
Feedback: A complete CAFR presents combining statements to reflect its nonmajor funds whenever a nonmajor column is used in one of the fund statements.

125. Which of the following funds require a Statement of Cash Flows?
A) Governmental funds
B) Proprietary funds
C) Fiduciary Funds
D) Governmental and Fiduciary Funds

Answer: B
Learning Objective: 1
Topic: Proprietary funds
Feedback: The statement of cash flows is only required for proprietary funds.

126. With respect to Government-wide financial statements, which of the following is **not** required by GASB?
A) Statement of Cash Flow
B) Statement of Net Position
C) Statement of Activities
D) All of the above are required by GASB

Answer: A
Learning Objective: 1
Topic: Government-wide statements

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Feedback: Government-wide financial statements include the Government-wide Statement of Net Position and the Government-wide Statement of Activities. The Statement of Cash Flows is not required.

127. Which of the following is **not** one of the major sections of the Comprehensive Annual Financial Report (CAFR)?
A) Budgetary
B) Financial
C) Introductory
D) Statistical

Answer: A
Learning Objective: 1
Topic: Overview of the CAFR
Feedback: The three major sections of a CAFR are the Introductory, Financial, and Statistical sections.

128. Which of the following is one of the criteria to determine if a governmental fund is considered to be a major fund?
A) Total assets, liabilities, revenues or expenditures of the individual governmental fund constitutes 10 percent of the governmental funds category.
B) Total assets, liabilities, revenues or expenditures/expenses are 5 percent of the total of the governmental and enterprise category. Other funds may be designated major funds at the discretion of management.
C) Both A and B are required
D) Either A or B will qualify a fund to be a major fund

Answer: C
Learning Objective: 1
Topic: Determination of major funds
Feedback: Governmental funds, other than the general fund, are considered to be a major fund when both of the following conditions are met: 1) Total assets, liabilities, revenues or expenditures of that individual government fund constitute 10% of the total for the governmental funds category and 2) Total assets, liabilities, revenues or expenditures of that individual government fund are 5% of the total of the governmental and enterprise categories, combined.

129. Which of the following is **not** correct with respect to major enterprise funds?
A) Any funds not reported separately are aggregated and reported in a single column under the label *nonmajor funds.*

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B) A government may designate any fund as a major fund if reporting that fund separately would be useful.
C) The general fund is not classified as a major fund if it does not meet the 10% and 5% tests for a major fund.
D) If the reporting government is preparing a complete CAFR, a schedule showing the detail of nonmajor funds is provided in the other supplementary information section.

Answer: C
Learning Objective: 1
Topic: Determination of major funds
Feedback: The General Fund is always a major fund. Governmental funds, other than the general fund, are considered to be a major fund when both of the following conditions are met: 1) Total assets, liabilities, revenues or expenditures of that individual government fund constitute 10% of the total for the governmental funds category and 2) Total assets, liabilities, revenues or expenditures of that individual government fund are 5% of the total of the governmental and enterprise categories, combined.

130. GASB provides guidance for determining when a primary government should include a legally separate organization in its financial report. What would be required for the primary government to include the related entity in its financial reports?
A) The primary government controls a voting majority of the other organization's governing board or otherwise may impose its will on the organization.
B) The other organization is fiscally dependent upon the primary government.
C) The related organization must represent a financial benefit or burden to the primary government.
D) Either A) or B) plus C) would be sufficient to require inclusion.

Answer: D
Learning Objective: 2
Topic: Financial reporting entity
Feedback: GASB provides guidance for determining when a primary government should include a legally separate organization in its financial report. First the relationship with the entity must have one of the following characteristics: (1) the primary government controls a voting majority of the other organization's governing board or otherwise may impose its will on the organization; or (2) the other organization is fiscally dependent upon the primary government. An entity is fiscally dependent on a primary government if that government approves or modifies its budget, sets charges for its services, or if the government's approval is required to

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issue debt. In addition, the related organization must represent a financial benefit or burden to the primary government.

Short Answer Questions

131. Identify three items often found in Required supplementary Information.

Answer:
Any three of the following:
1. Management's Discussion and Analysis (MD&A)
2. Budgetary Comparison Schedule.
3. Pension Schedules.
4. Schedule of the assessed condition of infrastructure assets and a schedule comparing the estimated cost to maintain infrastructure assets with the amounts actually expended for governments using the modified approach for reporting infrastructure.
5. Schedules of risk management activities.

Learning Objective: 1
Topic: Overview of the CAFR
Feedback: In addition to MD&A, RSI requires schedules for the following: Schedule when the modified approach to infrastructure is used, budgetary comparison schedule, pension schedules, and schedules of risk management activities.

132. List the Government-wide financial statements required by GASB.

Answer: Government-wide financial statements:
Statement of Net Position
Statement of Activities
Learning Objective: 1
Topic: Government-wide statements
Feedback: Government-wide statements include the Statement of Net Position and the Statement of Activities.

133. List the fund financial statements required by GASB for governmental type funds.

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Answer: Governmental fund financial statements:
Balance Sheet
Statement of Revenues, Expenditures, and Changes in Fund Balances
Learning Objective: 1
Topic: Fund basis statements
Feedback: The governmental fund financial statements include the Balance Sheet, and the Statement of Revenues, Expenditures, and Changes in Fund Balances

134. List the fund financial statements required by GASB for proprietary type funds.

Answer: Proprietary fund financial statements:
Statement of Net Position
Statement of Revenues, Expenses, and Changes in Fund Net Position
Statement of Cash Flows
Learning Objective: 1
Topic: Proprietary funds
Feedback: Proprietary fund financial statements include a Statement of Net Position, Statement of Revenues, Expenses, and Changes in Fund Net Position, and Statement of Cash Flows.

135. List the basic financial statements required by GASB for fiduciary type funds.

Answer: Fiduciary fund financial statements:
Statement of Fiduciary Net Position
Statement of Changes in Fiduciary Net Position
Learning Objective: 1
Topic: Fiduciary funds
Feedback: Fiduciary fund statements include the Statement of Fiduciary Net position, Statement of Changes in Fiduciary Net Position. The Statement of Cash Flows is not required for fiduciary funds.

136. In addition to government-wide statements, governments are required to prepare fund financial statements within which three categories of funds?

Answer: Governmental
Proprietary
Fiduciary
Learning Objective: 1
Topic: Fund basis statements

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Feedback: In addition to government-wide statements, governments are required to prepare fund financial statements for governmental, proprietary and fiduciary funds.

137. What are the five categories of fund balance on a Governmental Funds Balance Sheet?

Answer: Non-spendable
Restricted
Committed
Assigned
Unassigned

Learning Objective: 3
Topic: Governmental funds
Feedback: The five categories of fund balance on a Governmental Funds Balance Sheet Non-spendable are: restricted, committed, assigned and unassigned

138. List the five categories outlined in GASB to be included in the statistical section of the CAFR.

Answer:
1. Financial trends information
2. Revenue capacity information
3. Debt capacity information
4. Demographic and economic information
5. Operating information

Learning Objective: 3
Topic: Statistical section
Feedback: the five categories outlined in GASB to be included in the statistical section of the CAFR. are: financial trends information, revenue capacity information, debt capacity information, demographic and economic information and operating information.

139. List and describe the three major sections of the Comprehensive Annual Financial Report and indicate briefly what is in each.

Answer:
The three major sections are introductory, financial and statistical. The introductory section includes a letter of transmittal, organization chart, and list of principal

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officials. The financial section includes the auditor's report, MD&A, the basic financial statements (including the footnotes), other RSI, combining statements for non-major funds (not reported separately in the basic financial statements), and schedules. The statistical section includes certain statistical tables indicating financial trends, revenue and debt capacity, demographic and economic information and operating information. Data is generally presented for the past 10 years.
Learning Objective: 1
Topic: Overview of the CAFR
Feedback: The three major sections are introductory, financial and statistical. The introductory section includes a letter of transmittal, organization chart, and list of principal officials. The financial section includes the auditor's report, MD&A, the basic financial statements (including the footnotes), other RSI, combining statements for non-major funds (not reported separately in the basic financial statements), and schedules. The statistical section includes certain statistical tables indicating financial trends, revenue and debt capacity, demographic and economic information and operating information. Data is generally presented for the past 10 years.

140. What is the rule for determining whether a governmental fund, other than the General Fund, is a major fund?

Answer:
A governmental fund is considered major if both of the following conditions exist:
(1) Total assets, liabilities, revenues or expenditures of the individual governmental fund in question constitutes 10 percent or more of the governmental funds category.
AND
(2) Total assets, liabilities, revenues or expenditures/expenses of the fund in question are 5 percent or more of the total of the governmental and enterprise categories, combined.

Other funds may be designated a major fund if reporting that fund separately would be useful at the discretion of management.
Learning Objective: 1
Topic: Determination of major funds
Feedback: The general fund is always considered to be a major fund. Other governmental funds are considered to be a major fund when both of the following conditions exists; 1) Total assets, liabilities, revenues or expenditures of that individual government fund constitute 10% of the total for the governmental funds category and 2) Total assets, liabilities, revenues or expenditures of that individual government fund are 5% of the total of the governmental and enterprise categories, combined. In addition, a government may designate any fund as a major fund if

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reporting that fund separately would be useful.

141. Identify two areas where GASB requires supplementary information (RSI).

Answer (any 2 of the following):
MD& A
Budgetary comparison schedules
Information about infrastructure assets reporting using the modified approach
Pension funding schedules
Schedules of risk management activities
Learning Objective:1
Topic: Required supplementary information
Feedback: RSI appears in two parts of the financial section; MD&A precedes the financial statements and other RSI schedules follow the notes to the financial statements. In addition to MD&A, Budgetary comparison schedules, Information about infrastructure assets reporting using the modified approach, Pension funding schedules and Schedules of risk management activities are areas where GASB requires RSI.

142. The Governmental Accounting Standards Board has established rules for determining when a government should include another entity in its financial statements.
a) Distinguish between a primary government and a component unit. Include one example of each.
b) GASB permits two methods of reporting component units in the financial reporting entity. Describe the two methods and indicate when each should be used.
c) The City of X is deciding whether or not to include a transit system in its financial report and how the transit system would be reported if a positive decision were made. The transit system is a legally separate entity, has its own governing board, not appointed by the city, has a different auditor, and issues its own financial report. The city has signed an agreement that, for the next ten years (the life of a bond issue related to transit operations), and it will make up the deficit of the transit system. During the last two years, the deficit has been $10 million, approximately 50% of the amount reported as a profit of its other enterprise operations. Make recommendations to the city, including whether or not to include the transit system and, if so, how to report it.

Answer:
a) A primary government is a state or a general-purpose local government, such as a

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municipality or a county. It may also be a special purpose government that has a separately elected governing board, is legally separate, and is fiscally independent of other state or local governments. A component unit is a legally separate organization for which the elected officials of a primary government are financially accountable. In addition, a component unit can be another organization for which the nature and significance of its relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. An example of a primary government would be a city. An example of a component unit might be a library that is legally separate and has its own board but is financially dependent on the city.

b) The two methods are blending and discrete presentation. Blending is the reporting of a component unit in the government-wide financial statements as a part of the primary government. Blending is appropriate only when the component unit is "so intertwined with the primary government that they are in substance the same entity". Discrete presentation involves presenting financial information of the component in a separate column apart from the primary government and not included in the totals for the primary government. Discrete presentation is the most commonly used method.

c) In this case, I would recommend that the transit system be incorporated as a component unit based on the idea that "exclusion would cause the reporting entity's financial statements to be misleading or incomplete." The Statement of Activities would show the operating loss of the transit system and the transfer from the primary government to make up the deficit. I would report it discretely, not blended, as the transit system is generally separate.

Learning Objective: 1
Topic: Financial reporting entity
Feedback:

A) A primary government is a state or a general-purpose local government, such as a municipality or a county. It may also be a special purpose government that has a separately elected governing board, is legally separate, and is fiscally independent of other state or local governments. A component unit is a legally separate organization for which the elected officials of a primary government are financially accountable. In addition, a component unit can be another organization for which the nature and significance of its relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. An example of a primary government would be a city. An example of a component unit might be a library that is legally separate and has its own board but is financially dependent on the city.

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B) The two methods are blending and discrete presentation. Blending is the reporting of a component unit in the government-wide financial statements as a part of the primary government. Blending is appropriate only when the component unit is "so intertwined with the primary government that they are in substance the same entity". Discrete presentation involves presenting financial information of the component in a separate column apart from the primary government and not included in the totals for the primary government. Discrete presentation is the most commonly used method.

C) In this case, I would recommend that the transit system be incorporated as a component unit based on the idea that "exclusion would cause the reporting entity's financial statements to be misleading or incomplete." The Statement of Activities would show the operating loss of the transit system and the transfer from the primary government to make up the deficit. I would report it discretely, not blended, as the transit system is generally separate.

143. GASB establishes that the *financial reporting entity* is the primary government together with its component units. Define primary government and component unit.

Answer:

A primary government is a state government, a general-purpose local government such as a city or county, or a special-purpose government such as a school district. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, a component unit can be an organization for which the nature and significance of its relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Learning Objective: 1
Topic: Financial reporting entity
Feedback: A primary government is a state government, a general-purpose local government such as a city or county, or a special-purpose government such as a school district. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, a component unit can be an organization for which the nature and significance of its relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

144. GASB provides guidance for determining when a primary government should include a legally separate organization in its financial report. Outline the criteria for inclusion.

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Answer:

First, the relationship with the related entity must have one of the following characteristics: (1) the primary government controls a voting majority of the other organization's governing board or otherwise may impose its will on the organization; or (2) the other organization is fiscally dependent upon the primary government. An entity is fiscally dependent on a primary government if that government approves or modifies its budget, sets charges for its services, or if the government's approval is required to issue debt.

Second, the related organization must represent a financial benefit or burden to the primary government. A financial burden exists, for example, if the primary government is responsible for liabilities of the other organization. In contrast, a financial benefit exists if the government is entitled to or may access the other organization's resources.

Learning Objective: 1
Topic: Financial reporting entity
Feedback: GASB provides guidance for determining when a primary government should include a legally separate organization in its financial report. First the relationship with the entity must have one of the following characteristics: (1) the primary government controls a voting majority of the other organization's governing board or otherwise may impose its will on the organization; or (2) the other organization is fiscally dependent upon the primary government. An entity is fiscally dependent on a primary government if that government approves or modifies its budget, sets charges for its services, or if the government's approval is required to issue debt. In addition, the related organization must represent a financial benefit or burden to the primary government. A financial burden exists, for example, if the primary government is responsible for liabilities of the other organization. In contrast, a financial benefit exists if the government is entitled to or may access the other organization's resources.

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Chapter 2 Overview of Financial Reporting for State and Local Governments

Exercises

145. The following information is available for the preparation of the government-wide financial statements of the City of Aurora as of June 30, 2017:

Accounts payable, business-type activities	$ 240,000
Accounts payable, governmental activities	610,000
Capital assets, net, business-type activities	10,300,000
Capital assets, net, governmental activities	10,400,000
Cash and cash equivalents, business-type activities	1,900,000
Cash and cash equivalents, governmental activities	1,600,000
Inventories, business-type activities	600,000
Net Position, restricted for debt service, business-type activities	640,000
Net Position, restricted for debt service, governmental activities	930,000
Net Position, net investment in capital assets, business-type activities	4,760,000
Net Position, net investment in capital assets,, governmental activities	7,050,000
Noncurrent liabilities, business-type activities	5,190,000
Noncurrent liabilities, governmental activities	3,150,000
Receivables, business-type activities	1,430,000
Receivables, governmental activities	400,000

Assume all long-term liabilities were incurred in the acquisition of capital assets.

Required: From the information given above, prepare, in good form, a Statement of Net Position for the City of Aurora as of June 30, 2017. Include the unrestricted net position, which is to be computed from the information presented above. Include a total column. Aurora has no component units.

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Answer:

CITY OF AURORA
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	$1,600,000	$1,900,000	$3,500,000
Receivables	400,000	1,430,000	1,830,000
Inventories		600,000	600,000
Capital Assets, Net	10,400,000	10,300,000	20,700,000
Total Assets	12,400,000	14,230,000	26,630,000
Liabilities:			
Accounts Payable	610,000	240,000	850,000
Noncurrent Liabilities	3,150,000	5,190,000	8,340,000
Total Liabilities	3,760,000	5,430,000	9,190,000
Net Position:			
Net investment in capital assets,	7,050,000	4,760,000	11,810,000
Restricted for Debt Service	930,000	640,000	1,570,000
Unrestricted	660,000	3,400,000	4,060,000
Total Net Position	$8,640,000	$8,800,000	$17,440,000

CITY OF AURORA
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	$1,600,000	$1,900,000	$3,500,000
Receivables	400,000	1,430,000	1,830,000
Inventories		600,000	600,000
Capital Assets, Net	10,400,000	10,300,000	20,700,000
Total Assets	12,400,000	14,230,000	26,630,000
Liabilities:			
Accounts Payable	610,000	240,000	850,000
Noncurrent Liabilities	3,150,000	5,190,000	8,340,000
Total Liabilities	3,760,000	5,430,000	9,190,000

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Net Position:			
Net investment in capital assets,	7,050,000	4,760,000	11,810,000
Restricted for Debt Service	930,000	640,000	1,570,000
Unrestricted	660,000	3,400,000	4,060,000
Total Net Position	$8,640,000	$8,800,000	$17,440,000

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Chapter 2 Overview of Financial Reporting for State and Local Governments

146. The following information is available for the preparation of the government-wide financial statements for the Village of Twin Oaks for the year ended June 30, 2017:

Expenses:	
General government	$27,000,000
Public safety	18,200,000
Public works	13,800,000
Health and sanitation	6,300,000
Culture and recreation	5,700,000
Water and sewer system	8,100,000
Parking system	420,000
Revenues:	
Charges for services, general government	4,200,000
Charges for services, public safety	300,000
Operating grant, public safety	940,000
Charges for services, health and sanitation	3,000,000
Operating grant, health and sanitation	920,000
Charges for services, culture and recreation	2,200,000
Charges for services, water and sewer	10,250,000
Charges for services, parking system	740,000
Property taxes	40,300,000
Sales taxes	23,400,000
Other:	
Special item—gain on sale of park land	1,210,000
Transfer from business-type activities to governmental	500,000
Net position, July 1, 2016 – governmental activities	14,410,000
Net position, July 1, 2016 – business-type activities	12,312,000

Required: From the information given above, prepare, in good form, a Statement of Activities for the Village of Twin Oaks for the Year Ended June 30, 2017.

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Answer:

VILLAGE OF TWIN OAKS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Net(Expense)Revenue and Change in Net Position: Governmental Activities	Net(Expense)Revenue and Change in Net Position: Business-Type Activities	Net(Expense)Revenue and Change in Net Position: Total
Governmental Activities:						
General Government	$27,000,000	4,200,000		$(22,800,000)	$	$(22,800,000)
Public Safety	18,200,000	300,000	940,000	(16,960,000)		(16,960,000)
Public Works	13,800,000			(13,800,000)		(13,800,000)
Health and Sanitation	6,300,000	3,000,000	920,000	(2,380,000)		(2,380,000)
Culture and Recreation	5,700,000	2,200,000		(3,500,000)		(3,500,000)
Total Governmental Activities	71,000,000	9,700,000	1,860,000	(59,440,000)		(59,440,000)
Business-Type Activities:						
Water and Sewer System	8,100,000	10,250,000	---	---	2,150,000	2,150,000
Parking System	420,000	740,000	---	---	320,000	320,000
Total Business-Type Activities	8,520,000	10,990,000	---	---	2,470,000	2,470,000
Total	$79,520,000	$20,690,000	$1,860,000	(59,440,000)	2,470,000	(56,970,000)
General Revenues						
Property Taxes				40,300,000		40,300,000
Sales Taxes				23,400,000		23,400,000
Special Item-Gain on Sale of Park Land				1,210,000		1,210,000
Transfers				500,000	(500,000)	---
Total General Revenues, Special Items, and Transfers				65,410,000	(500,000)	64,910,000
Change in Net Position				5,970,000	1,970,000	7,940,000
Net Position, July 1, 2016				14,410,000	12,612,000	27,022,000
Net Position, July 30, 2017				$20,380,000	$14,582,000	$34,962,000

VILLAGE OF TWIN OAKS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Net(Expense)Revenue and Change in Net Position: Governmental Activities	Net(Expense)Revenue and Change in Net Position: Business-Type Activities	Net(Expense)Revenue and Change in Net Position: Total

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Governmental Activities:						
General Government	$27,000,000	4,200,000		$(22,800,000)	$	$(22,800,000)
Public Safety	18,200,000	300,000	940,000	(16,960,000)		(16,960,000)
Public Works	13,800,000			(13,800,000)		(13,800,000)
Health and Sanitation	6,300,000	3,000,000	920,000	(2,380,000)		(2,380,000)
Culture and Recreation	5,700,000	2,200,000		(3,500,000)		(3,500,000)
Total Governmental Activities	71,000,000	9,700,000	1,860,000	(59,440,000)		(59,440,000)
Business-Type Activities:						
Water and Sewer System	8,100,000	10,250,000	---	---	2,150,000	2,150,000
Parking System	420,000	740,000	---	---	320,000	320,000
Total Business-Type Activities	8,520,000	10,990,000	---	---	2,470,000	2,470,000
Total	$79,520,000	$20,690,000	$1,860,000	(59,440,000)	2,470,000	(56,970,000)
	General Revenues					
	Property Taxes			40,300,000		40,300,000
	Sales Taxes			23,400,000		23,400,000
	Special Item-Gain on Sale of Park Land			1,210,000		1,210,000
	Transfers			500,000	(500,000)	---
	Total General Revenues, Special Items, and Transfers			65,410,000	(500,000)	64,910,000
	Change in Net Position			5,970,000	1,970,000	7,940,000
	Net Position, July 1, 2016			14,410,000	12,612,000	27,022,000
	Net Position, July 30, 2017			$20,380,000	$14,582,000	$34,962,000

147. The following General Fund information is available for the preparation of the financial statements for the City of Pine Cove for the year ended December 31, 2017.

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Revenues:	
Property taxes	$26,400,000
Sales taxes	10,150,000
Fines and forfeits	1,320,000
Licenses and permits	2,160,000
Intergovernmental	890,000
Investment earnings	660,000
Expenditures:	
Current:	
General government	8,200,000
Public safety	21,000,000
Public works	6,300,000
Health and sanitation	1,200,000
Culture and recreation	12,160,000
Other:	
Encumbrances	100,000
Appropriations	40,000,000
Estimated Revenues	42,000,000
Transfer to debt service fund	1,130,000
Special item-proceeds from sale of land	760,000
Fund balance, January 1, 2017	7,600,000

Required: From the information given above, prepare, in good form, a General Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the City of Pine Cove for the Year Ended December 31, 2017.

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Answer:

CITY OF PINE COVE
GENERAL FUND STATEMENTS OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2017

Revenues:		
Property Taxes		$26,400,000
Sales Taxes		10,150,000
Fees and Fines		1,320,000
Licenses and Permits		2,160,000
Intergovernmental Revenues		890,000
Investment Earnings		660,000
Total Revenues		41,580,000
Expenditures:		
Current:		
General Government	$ 8,200,000	
Public Safety	21,000,000	
Public Works	6,300,000	
Health and Sanitation	1,200,000	
Culture and Recreation	4,160,000	
Total Expenditures		40,860,000
Excess of Expenditures Over Revenues		720,000
Other Financing Sources (Uses):		
Transfer to Special Revenue Fund	(1,130,000)	
Total Other Financing Sources (Uses)		(1,130,000)
Special Item: Proceeds from Sale of Land		760,000
Net Change in Fund Balance		350,000
Fund Balance, January 1, 2017		7,600,000
Fund Balance, December 31, 2017		$7,950,000

CITY OF PINE COVE
GENERAL FUND STATEMENTS OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2017

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Revenues:		
Property Taxes		$26,400,000
Sales Taxes		10,150,000
Fees and Fines		1,320,000
Licenses and Permits		2,160,000
Intergovernmental Revenues		890,000
Investment Earnings		660,000
Total Revenues		41,580,000
Expenditures:		
Current:		
General Government	$ 8,200,000	
Public Safety	21,000,000	
Public Works	6,300,000	
Health and Sanitation	1,200,000	
Culture and Recreation	4,160,000	
Total Expenditures		40,860,000
Excess of Expenditures Over Revenues		720,000
Other Financing Sources (Uses):		
Transfer to Special Revenue Fund	(1,130,000)	
Total Other Financing Sources (Uses)		(1,130,000)
Special Item: Proceeds from Sale of Land		760,000
Net Change in Fund Balance		350,000
Fund Balance, January 1, 2017		7,600,000
Fund Balance, December 31, 2017		$7,950,000

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Chapter 2 Overview of Financial Reporting for State and Local Governments

148. The following water and sewer information is available for the preparation of the financial statements for the County of Augusta for the year ended June 30, 2017:

Operating revenues—charges for services	$17,590,000
Operating expenses:	
Personal services	9,490,000
Contractual services	1,822,000
Utilities	880,000
Repairs and maintenance	1,580,000
Depreciation	2,640,000
Interest revenue	130,000
Interest expense	360,000
Capital contributions	997,000
Transfer to General Fund	950,000
Net position, July 1, 2016	2,720,000

Required: From the information given above, prepare, in good form, a Water and Sewer Fund column for the proprietary fund Statement of Revenues, Expenses, and Changes in Fund Net Position for the County of Augusta for the Year Ended June 30, 2017.

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Answer:

COUNTY OF AUGUSTA
WATER AND SEWER FUND
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
YEAR ENDED JUNE 30, 2017

Operating Revenues:		
Charges for Services		$17,590,000
Operating Expenses:		
Personal Services	$9,490,000	
Contractual Services	1,822,000	
Utilities	880,000	
Repairs and Maintenance	1,580,000	
Depreciation	2,640,000	
Total Operating Expenses		16,412,000
Operating Income		1,178,000
Non-operating Revenues (Expenses):		
Interest Revenue	130,000	
Interest Expense	(360,000)	
Total Non-operating Revenues and Expenses		(230,000)
Income Before Contributions and Transfers		948,000
Capital Contributions		997,000
Transfer to General Fund		(950,000)
Change in Net Position		995,000
Net Position, July 1, 2016		2,720,000
Net Position, June 30, 2017		$ 3,715,000

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COUNTY OF AUGUSTA
WATER AND SEWER FUND
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
YEAR ENDED JUNE 30, 2017

Operating Revenues:		
Charges for Services		$17,590,000
Operating Expenses:		
Personal Services	$9,490,000	
Contractual Services	1,822,000	
Utilities	880,000	
Repairs and Maintenance	1,580,000	
Depreciation	2,640,000	
Total Operating Expenses		16,412,000
Operating Income		1,178,000
Non-operating Revenues (Expenses):		
Interest Revenue	130,000	
Interest Expense	(360,000)	
Total Non-operating Revenues and Expenses		(230,000)
Income Before Contributions and Transfers		948,000
Capital Contributions		997,000
Transfer to General Fund		(950,000)
Change in Net Position		995,000
Net Position, July 1, 2016		2,720,000
Net Position, June 30, 2017		$ 3,715,000

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