

## c2

*Student:* \_\_\_\_\_

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.

True   False

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

True   False

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

True   False

4. The statistical section of the CAFR contains the combining schedules of nonmajor funds.

True   False

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

True   False

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

True False

7. Governmental fund financial statements include the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances.

True False

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

True False

9. Government activities which meet the tests and are determined to be component units of state and local governmental units must be discretely presented in the financial statements.

True False

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

True False

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

True False

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

True False

13. The fiduciary fund financial statements are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

True False

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

True False

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

True False

16. Separate financial information is required to be presented for all funds.

True False

17. Special-purpose governments engaged in business type activities only are required to prepare both proprietary fund and government-wide financial statements.

True False

18. The Government-wide financial statements include separate columns for discretely presented component units.

True False

19. Governmental accounting standards do not require the statistical section.

True False

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

True False

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

True False

22. With respect to MD & A, a government may discuss any issues it deems important to the completeness of the annual report

True False

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

True False

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

True False

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

True False

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

True False

27. Fiduciary funds are required to prepare a Statement of Cash Flows using the direct method.

True False

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

True False

29. The introductory and statistical sections of a CAFR are not audited.

True False

30. State and local governments are required to prepare a CAFR.

True False

31. Combining statements are required whenever a nonmajor column is used in one of the fund financial statements.

True False

32. A complete CAFR includes combining financial statements to reflect major funds.

True False

33. Governmental-Wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

True   False

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

True   False

35. 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 only when those component units are, in substance, part of the primary government
- D. All of the above are true

36. 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. A school district could never be a primary government
- C. Only a primary government may be the nucleus of a financial reporting entity
- D. All of the above are true

37. Which of the following is true regarding the composition of the Comprehensive Annual Financial Report (CAFR)?

- A. The CAFR is required in order to be in conformity with Generally Accepted Accounting Principles (GAAP)
- B. The CAFR is to include both blended and discretely presented component units
- C. The CAFR contains four major sections: introductory, financial, supplementary and statistical
- D. All of the above are true

38. 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

39. Under GASB rules for the financial reporting entity:

- A. Component units are included if the primary government is financially accountable for their operations
- 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 must be reported in columns (discrete presentation) separate from the funds of a primary government

40. According to GASB Statement No. 44, which of the following is not a recommended category for the CAFR's statistical section?

- A. Financial trends information
- B. Debt capacity information
- C. Comparative information
- D. Operating information

41. 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

42. Which of the following is not 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 Assets, Statement of Activities and 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



43. Which of the following is true regarding the government-wide Statement of Net Assets?

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

44. 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 is prepared using the modified accrual basis of accounting for governmental activities and using the accrual basis of accounting for business-type activities
- C. The government-wide Statement of Activities reflects all taxes as general revenues
- D. Indirect program expenses may not be allocated to the other functional areas

45. Which of the following is true regarding the government-wide Statement of Activities?

- A. The Statement of Activities includes depreciation expense
- B. Transfers between governmental and business type activities are eliminated and do not appear on the government-wide Statement of Activities
- C. 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
- D. Taxes levied for specific functions may be reported as program revenue

46. 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 Fund Balances as reserved and unreserved
- D. All of the above are true

47. Which of the following items would likely be in a 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

48. Which of the following is true regarding the proprietary fund financial statements?

- A. The Statement of Net Assets (or Balance Sheet) reflects equity as contributed equity and retained earnings
- 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. Statements include the Statement of Net Assets (or Balance Sheet), Statement of Revenues, Expenses and Changes in Fund Net Assets and Statement of Cash Flows
- D. The Statement of Cash Flows may be prepared using either the direct or indirect methods

49. Which of the following is true regarding the fiduciary fund financial statements?

- A. Fiduciary fund financial statements include the Statement of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets
- B. Fiduciary fund financial statements are prepared using the current financial resources measurement focus and modified accrual basis of accounting
- C. Fiduciary fund financial statements reflect equity as reserved and unreserved
- D. Agency funds are reported only on the Statement of Changes in Fiduciary Net Assets

50. Which of the following is not considered Required Supplementary Information (RSI)?

- A. Management's Discussion and Analysis
- B. Budgetary Comparison Statement
- C. Notes to the financial statements
- D. None of the above; all are considered RSI

51. Which of the following is true regarding the Budgetary Comparison Schedule?

- A. The Budgetary Comparison Schedule compares the actual results to the original budget, but display of variances is optional
- B. The Budgetary Comparison Schedule must be prepared for the General Fund and each major special revenue fund that has a legally adopted budget
- C. The Budgetary Comparison Schedule is considered part of the basic financial statements
- D. All of the above are true

52. Which of the following is not true 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

53. Which of the following is true regarding the reporting of special purpose governments?

- A. Special purpose governments are to prepare the same financial statements as general-purpose governments, in all cases
- B. Special purpose governments that are governmental in nature and have more than one governmental program are allowed to prepare the governmental fund financial statements only
- C. Special purpose governments that are governmental in nature and have only one governmental program are permitted to combine the government-wide statements and the governmental fund statements
- D. All of the above are true

54. Under GASB *Statement 35*, public colleges and universities are permitted to report as special purpose governments engaged in:
- A. Business-type activities only
  - B. Both governmental and business-type activities
  - C. Governmental activities only
  - D. Any one of the above
55. Which of the following is true regarding the Comprehensive Annual Financial Report?
- A. 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)
  - B. The government-wide financial statements include the Statement of Net Assets, the Statement of Activities and the Statement of Cash Flows
  - C. Both of the above
  - D. Neither of the above
56. Funds other than the General Fund must be considered major 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

57. Which of the following is true regarding the governmental fund statements?

- A. The governmental fund statements include discretely presented component units that are governmental in nature
- B. The governmental fund statements are prepared using the current financial resources measurement focus and modified accrual accounting
- C. Both of the above
- D. Neither of the above

58. Which of the following is true regarding the proprietary fund financial statements?

- A. The proprietary fund financial statements include the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Fund Net Assets and the Statement of Cash Flows
- B. The proprietary funds include enterprise, internal service and permanent funds
- C. Both of the above
- D. Neither of the above

59. Which of the following is true regarding fiduciary fund financial statements?

- A. Fiduciary fund financial statements include the Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Net Assets
- B. Fiduciary fund financial statements are prepared on the current financial resources measurement focus and modified accrual accounting
- C. Both of the above
- D. Neither of the above

60. Which of the following is true regarding the Budget-Actual Comparison Schedule?

- 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 of the above
- D. Neither of the above

61. An example of an expenditure classification by function would be:

- A. Current
- B. Public safety
- C. Police Department
- D. Salaries

62. 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 of the above
- D. Neither of the above

63. Which of the following is true regarding financial reporting of governmental funds?
- A. Governmental funds include the General Fund, special revenue funds, capital projects funds, debt service funds and permanent funds
  - B. The Fund Balance of governmental funds reports reserved and unreserved amounts
  - C. Both of the above
  - D. Neither of the above
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
65. Which of the following is true regarding the government-wide statements?
- A. The government-wide statements include a Statement of Net Assets 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. Both of the above
  - D. Neither of the above



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

- A. Discretely presented component units are included in a separate column (or columns)
- B. Net assets are broken down into three categories: invested in capital assets, reserved and unreserved
- C. Both of the above
- D. Neither of the above

67. 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

68. 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, nonmajor funds (in total) and total
- C. Both of the above
- D. Neither of the above

69. Which of the following is true regarding component units?

- A. Component units could include park districts, school districts, counties and mosquito abatement districts
- B. 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)
- C. Both of the above
- D. Neither of the above

70. Which of the following is true regarding the government-wide financial statements?

- A. The government-wide financial statements include the Statement of Net Assets 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

71. 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

72. Which of the following is true regarding the proprietary fund financial statements?

- A. The proprietary fund financial statements include the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Fund Net Assets and the Statement of Cash Flows
- B. The proprietary fund financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting
- C. Both of the above
- D. Neither of the above

73. 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 nonmajor enterprise and internal service funds (combined) and a total column is presented
- B. Financial statements include a Statement of Net Assets (or balance sheet), Statement of Revenues, Expenses and Changes in Fund Net Assets and Statement of Cash Flows
- C. Both of the above
- D. Neither of the above

74. Which of the following is true regarding fiduciary fund statements?

- A. Fiduciary fund statements include the Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Net Assets
- 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

75. 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 Assets and the Statement of Changes in Fiduciary Net Assets
- C. Both of the above
- D. Neither of the above

76. 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 Assets only
- B. The government-wide Statement of Net Assets only
- C. The government-wide Statement of Net Assets and the proprietary funds Statement of Net Assets
- D. The government-wide Statement of Net Assets and the RSI Schedule of Bonds Payable

77. Which of the following funds requires a Budgetary Comparison Schedule?

- A. Enterprise Funds
- B. Internal Service Funds
- C. Investment Trust Funds
- D. General Fund

78. Special-purpose governments that have only business-type activities should report which of the following?
- A. Statement of Net Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets and Statement of Cash Flows
  - B. Statement of Net Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets
  - C. MD&A, Statement of Net Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets, Notes to the Financial Statements and RSI, other than MD&A as appropriate
  - D. Statement of Net Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets and RSI
79. 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
80. Which of the following is true regarding Government-wide financial statements?
- A. Statement of Cash Flows is not required for Government-wide statements
  - B. Prior year data must be presented
  - C. Depreciation can be reported in the statements or disclosed in footnotes
  - D. Fiduciary activities are only reported if they qualify as a major fund

81. A reconciliation from Proprietary 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)
- C. They use a different measurement focus and basis of accounting
- D. They use a different measurement focus and basis of accounting

82. Which of the following sections of the CAFR is audited?

- A. Introductory section
- B. Financial section
- C. Statistical section
- D. Management section

83. The statistical section typically presents \_\_\_\_ years of information in each table or schedule.

- A. 3
- B. 5
- C. 10
- D. 12

84. What are the three major sections of the Comprehensive Annual Financial Report?

- A. Introductory Section, Financial Section, Statistical Section
- B. Introductory Section, Financial Section, Management Discussion and Analysis
- C. Introductory Section, Financial Section, Budgetary Comparison
- D. Introductory Section, Financial Section, Reporting Infrastructure

85. Proprietary FUND level financial statements include which of the following?

- A. Statement of net assets
- B. Statement of revenues, expenses and changes in fund net assets
- C. Statement of cash flows
- D. All of the above

86. 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

87. What statements are required in the Government-wide Financial Statements?

- A. Statement of Net Assets
- B. Statement of Activities
- C. Cash Flow Statement
- D. Both A and B

88. Which Statement is presented using Accrual Basis of Accounting?

- A. Governmental Fund Statements
- B. Government-Wide Financial Statements
- C. Statement of Revenues, Expenditure and changes in Fund Balances
- D. A and C

89. A statement of Cash Flows is required for which type of Fund ?

- A. Governmental
- B. Fiduciary
- C. Proprietary
- D. All of the above

90. 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



91. In governmental fund statements revenues are reported by \_\_\_\_\_ and expenditures are reported by \_\_\_\_\_ and by \_\_\_\_\_.

- A. Source, character, function
- B. Source, source, character
- C. Function, character, source
- D. Function, function, source

92. 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

93. CAFR stands for:

- A. Comprehensive Annual Financial Report
- B. Comprehensive Annual Fiscal Report
- C. Cumulative Annual Financing Report
- D. Comprehensive Accounting Financial Report

94. 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. Required Supplementary Information
- C. Other Supplementary Information
- D. Proprietary Fund Statements

95. Which of the following is *not* true regarding the Statement of Cash Flows for proprietary funds?

- A. At the bottom of the statement, net income is reconciled to cash flows from operations
- B. Interest and dividends received are recorded as investing activities
- C. The direct method is required for reporting cash flows from operations
- D. Four categories of cash flows are used

96. Which of the following is *not* true regarding combining fund statements?

- A. Combining statements are part of other supplementary information
- B. All nonmajor funds are included in the combining statements
- C. Combining statements for nonmajor funds are required for governmental funds only
- D. The total column in the combining statements is equal to the nonmajor funds column in the basic financial statements

97. Which of the following is not true about the combining financial statements?

- A. They are required whenever there a nonmajor 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 nonmajor funds column in the basic financial statements
- C. Both of the above
- D. Neither of the above

98. Identify three items often found in Required Supplementary Information.

99. List the Government-wide financial statements required by GASB Statement 34.

100. List the fund financial statements required by GASB Statement 34 for governmental type funds.

101. List the fund financial statements required by GASB Statement 34 for proprietary type funds.

102. List the basic financial statements required by GASB Statement 34 for fiduciary type funds.

103. List the five categories outlined in GASB Statement 44 to be included in the statistical section of the CAFR.

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

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

106. GASB Statement 34 requires supplementary information (RSI) for what two major areas?

107. 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), 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.

108. The following information is available for the preparation of the government-wide financial statements of the City of Tall Oaks as of June 30, 2009:

Accounts payable, business-type activities	\$ 210,000
Accounts payable, governmental activities	400,000
Capital assets, net, business-type activities	10,400,000
Capital assets, net, governmental activities	12,900,000
Cash and cash equivalents, business-type activities	900,000
Cash and cash equivalents, governmental activities	1,600,000
Inventories, business-type activities	600,000
Net assets, restricted for debt service, business-type activities	400,000
Net assets, restricted for debt service, governmental activities	650,000
Noncurrent liabilities, business-type activities	3,700,000
Noncurrent liabilities, governmental activities	5,640,000
Receivables, business-type activities	1,330,000
Receivables, governmental activities	500,000

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 Assets for the City of Tall Oaks as of June 30, 2009. Include the unrestricted net assets, which is to be computed from the information presented above. Include a total column. Tall Oaks has no component units.

109. The following information is available for the preparation of the government-wide financial statements for the Village of Warm Springs for the year ended June 30, 2009:

Expenses:	
General government	\$21,200,000
Public safety	18,800,000
Public works	12,300,000
Health and sanitation	6,300,000
Culture and recreation	4,200,000
Water and sewer system	8,100,000
Parking system	420,000
Revenues:	
Charges for services, general government	1,200,000
Charges for services, public safety	300,000
Operating grant, public safety	670,000
Charges for services, health and sanitation	3,000,000
Operating grant, health and sanitation	1,110,000
Charges for services, culture and recreation	2,200,000
Charges for services, water and sewer	11,900,000
Charges for services, parking system	802,000
Property taxes	27,300,000
Sales taxes	25,400,000
Other:	
Special item—gain on sale of park land	1,210,000
Transfer from business-type activities to governmental	300,000
Net assets, July 1, 2008 – governmental activities	13,210,000
Net assets, July 1, 2008 – business-type activities	14,666,000

Required: From the information given above, prepare, in good form, a Statement of Activities for the Village of Warm Springs for the Year Ended June 30, 2009.



110. The following general fund information is available for the preparation of the financial statements for the City of Lonesome Pines for the year ended December 31, 2009.

Revenues:	
Property taxes	\$26,800,000
Sales taxes	10,150,000
Fines and forfeits	1,320,000
Licenses and permits	1,840,000
Intergovernmental	890,000
Investment earnings	660,000
Expenditures:	
Current:	
General government	8,200,000
Public safety	20,980,000
Public works	6,300,000
Health and sanitation	1,200,000
Culture and recreation	2,160,000
Other:	
Encumbrances	100,000
Appropriations	41,000,000
Estimated Revenues	42,000,000
Transfer to debt service fund	1,130,000
Special item-proceeds from sale of land	620,000
Fund balance, January 1, 2009	3,200,000

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 Lonesome Pines for the Year Ended December 31, 2009.

111. 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, 2009:

Operating revenues—charges for services	\$16,900,000
Operating expenses:	
Personal services	8,090,000
Contractual services	2,222,000
Utilities	880,000
Repairs and maintenance	1,580,000
Depreciation	2,840,000
Interest revenue	130,000
Interest expense	340,000
Capital contributions	520,000
Transfer to general fund	700,000
Net assets, July 1, 2008	990,000

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 Assets for the County of Augusta for the Year Ended June 30, 2009.

## c2 Key

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.

TRUE

*Copley - Chapter 02 #1*

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

FALSE

*Copley - Chapter 02 #2*

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

TRUE

*Copley - Chapter 02 #3*

4. The statistical section of the CAFR contains the combining schedules of nonmajor funds.

FALSE

*Copley - Chapter 02 #4*

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

**FALSE**

*Copley - Chapter 02 #5*

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

**FALSE**

*Copley - Chapter 02 #6*

7. Governmental fund financial statements include the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances.

**TRUE**

*Copley - Chapter 02 #7*

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

**TRUE**

*Copley - Chapter 02 #8*

9. Government activities which meet the tests and are determined to be component units of state and local governmental units must be discretely presented in the financial statements.

**FALSE**

*Copley - Chapter 02 #9*

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

TRUE

*Copley - Chapter 02 #10*

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

FALSE

*Copley - Chapter 02 #11*

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

TRUE

*Copley - Chapter 02 #12*

13. The fiduciary fund financial statements are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

FALSE

*Copley - Chapter 02 #13*

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

TRUE

*Copley - Chapter 02 #14*

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

TRUE

*Copley - Chapter 02 #15*

16. Separate financial information is required to be presented for all funds.

FALSE

*Copley - Chapter 02 #16*

17. Special-purpose governments engaged in business type activities only are required to prepare both proprietary fund and government-wide financial statements.

FALSE

*Copley - Chapter 02 #17*

18. The Government-wide financial statements include separate columns for discretely presented component units.

TRUE

*Copley - Chapter 02 #18*

19. Governmental accounting standards do not require the statistical section.

TRUE

*Copley - Chapter 02 #19*

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

**FALSE**

*Copley - Chapter 02 #20*

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

**FALSE**

*Copley - Chapter 02 #21*

22. With respect to MD & A, a government may discuss any issues it deems important to the completeness of the annual report

**FALSE**

*Copley - Chapter 02 #22*

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

**TRUE**

*Copley - Chapter 02 #23*

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

**FALSE**

*Copley - Chapter 02 #24*

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

TRUE

*Copley - Chapter 02 #25*

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

FALSE

*Copley - Chapter 02 #26*

27. Fiduciary funds are required to prepare a Statement of Cash Flows using the direct method.

FALSE

*Copley - Chapter 02 #27*

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

TRUE

*Copley - Chapter 02 #28*

29. The introductory and statistical sections of a CAFR are not audited.

TRUE

*Copley - Chapter 02 #29*

30. State and local governments are required to prepare a CAFR.

FALSE

*Copley - Chapter 02 #30*



31. Combining statements are required whenever a nonmajor column is used in one of the fund financial statements.

TRUE

*Copley - Chapter 02 #31*

32. A complete CAFR includes combining financial statements to reflect major funds.

TRUE

*Copley - Chapter 02 #32*

33. Governmental-Wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

TRUE

*Copley - Chapter 02 #33*

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

TRUE

*Copley - Chapter 02 #34*

35. 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 only when those component units are, in substance, part of the primary government
  - D. All of the above are true

*Copley - Chapter 02 #35*

36. 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. A school district could never be a primary government
  - C. Only a primary government may be the nucleus of a financial reporting entity
  - D. All of the above are true

*Copley - Chapter 02 #36*

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

*Copley - Chapter 02 #37*

38. 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

*Copley - Chapter 02 #38*

39. Under GASB rules for the financial reporting entity:

- A. Component units are included if the primary government is financially accountable for their operations
- 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 must be reported in columns (discrete presentation) separate from the funds of a primary government

*Copley - Chapter 02 #39*

40. According to GASB Statement No. 44, which of the following is not a recommended category for the CAFR's statistical section?

- A. Financial trends information
- B. Debt capacity information
- C. Comparative information
- D. Operating information

*Copley - Chapter 02 #40*

41. 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

*Copley - Chapter 02 #41*

42. Which of the following is not 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 Assets, Statement of Activities and 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

*Copley - Chapter 02 #42*

43. Which of the following is true regarding the government-wide Statement of Net Assets?

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

*Copley - Chapter 02 #43*

44. 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 is prepared using the modified accrual basis of accounting for governmental activities and using the accrual basis of accounting for business-type activities
- C. The government-wide Statement of Activities reflects all taxes as general revenues
- D. Indirect program expenses may not be allocated to the other functional areas

*Copley - Chapter 02 #44*

45. Which of the following is true regarding the government-wide Statement of Activities?

- A. The Statement of Activities includes depreciation expense
- B. Transfers between governmental and business type activities are eliminated and do not appear on the government-wide Statement of Activities
- C. 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
- D. Taxes levied for specific functions may be reported as program revenue

*Copley - Chapter 02 #45*

46. 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 Fund Balances as reserved and unreserved
  - D. All of the above are true

*Copley - Chapter 02 #46*

47. Which of the following items would likely be in a 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

*Copley - Chapter 02 #47*

48. Which of the following is true regarding the proprietary fund financial statements?
- A. The Statement of Net Assets (or Balance Sheet) reflects equity as contributed equity and retained earnings
  - 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. Statements include the Statement of Net Assets (or Balance Sheet), Statement of Revenues, Expenses and Changes in Fund Net Assets and Statement of Cash Flows
  - D. The Statement of Cash Flows may be prepared using either the direct or indirect methods

*Copley - Chapter 02 #48*

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

*Copley - Chapter 02 #49*

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

*Copley - Chapter 02 #50*



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

*Copley - Chapter 02 #51*

52. Which of the following is not true 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

*Copley - Chapter 02 #52*

53. Which of the following is true regarding the reporting of special purpose governments?
- A. Special purpose governments are to prepare the same financial statements as general-purpose governments, in all cases
  - B. Special purpose governments that are governmental in nature and have more than one governmental program are allowed to prepare the governmental fund financial statements only
  - C. Special purpose governments that are governmental in nature and have only one governmental program are permitted to combine the government-wide statements and the governmental fund statements
  - D. All of the above are true

*Copley - Chapter 02 #53*

54. Under GASB *Statement 35*, public colleges and universities are permitted to report as special purpose governments engaged in:
- A. Business-type activities only
  - B. Both governmental and business-type activities
  - C. Governmental activities only
  - D. Any one of the above

*Copley - Chapter 02 #54*

55. Which of the following is true regarding the Comprehensive Annual Financial Report?

- A. 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)
- B. The government-wide financial statements include the Statement of Net Assets, the Statement of Activities and the Statement of Cash Flows
- C. Both of the above
- D. Neither of the above

*Copley - Chapter 02 #55*

56. Funds other than the General Fund must be considered major 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

*Copley - Chapter 02 #56*

57. Which of the following is true regarding the governmental fund statements?

- A. The governmental fund statements include discretely presented component units that are governmental in nature
- B. The governmental fund statements are prepared using the current financial resources measurement focus and modified accrual accounting
- C. Both of the above
- D. Neither of the above

*Copley - Chapter 02 #57*

58. Which of the following is true regarding the proprietary fund financial statements?

- A. The proprietary fund financial statements include the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Fund Net Assets and the Statement of Cash Flows
- B. The proprietary funds include enterprise, internal service and permanent funds
- C. Both of the above
- D. Neither of the above

*Copley - Chapter 02 #58*

59. Which of the following is true regarding fiduciary fund financial statements?

- A. Fiduciary fund financial statements include the Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Net Assets
- B. Fiduciary fund financial statements are prepared on the current financial resources measurement focus and modified accrual accounting
- C. Both of the above
- D. Neither of the above

*Copley - Chapter 02 #59*

60. Which of the following is true regarding the Budget-Actual Comparison Schedule?

- 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 of the above
- D. Neither of the above

*Copley - Chapter 02 #60*

61. An example of an expenditure classification by function would be:

- A. Current
- B. Public safety
- C. Police Department
- D. Salaries

*Copley - Chapter 02 #61*

62. 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 of the above
  - D. Neither of the above

*Copley - Chapter 02 #62*

63. Which of the following is true regarding financial reporting of governmental funds?
- A. Governmental funds include the General Fund, special revenue funds, capital projects funds, debt service funds and permanent funds
  - B. The Fund Balance of governmental funds reports reserved and unreserved amounts
  - C. Both of the above
  - D. Neither of the above

*Copley - Chapter 02 #63*

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

*Copley - Chapter 02 #64*

65. Which of the following is true regarding the government-wide statements?
- A. The government-wide statements include a Statement of Net Assets 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. Both of the above
  - D. Neither of the above

*Copley - Chapter 02 #65*

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

- A. Discretely presented component units are included in a separate column (or columns)
- B. Net assets are broken down into three categories: invested in capital assets, reserved and unreserved
- C. Both of the above
- D. Neither of the above

*Copley - Chapter 02 #66*

67. 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

*Copley - Chapter 02 #67*

68. 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, nonmajor funds (in total) and total
- C. Both of the above
- D. Neither of the above

*Copley - Chapter 02 #68*



69. Which of the following is true regarding component units?

- A. Component units could include park districts, school districts, counties and mosquito abatement districts
- B. 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)
- C. Both of the above
- D. Neither of the above

*Copley - Chapter 02 #69*

70. Which of the following is true regarding the government-wide financial statements?

- A. The government-wide financial statements include the Statement of Net Assets 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

*Copley - Chapter 02 #70*

71. 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

*Copley - Chapter 02 #71*

72. Which of the following is true regarding the proprietary fund financial statements?

- A. The proprietary fund financial statements include the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Fund Net Assets and the Statement of Cash Flows
- B. The proprietary fund financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting
- C. Both of the above
- D. Neither of the above

*Copley - Chapter 02 #72*

73. 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 nonmajor enterprise and internal service funds (combined) and a total column is presented
- B. Financial statements include a Statement of Net Assets (or balance sheet), Statement of Revenues, Expenses and Changes in Fund Net Assets and Statement of Cash Flows
- C. Both of the above
- D. Neither of the above

*Copley - Chapter 02 #73*

74. Which of the following is true regarding fiduciary fund statements?

- A. Fiduciary fund statements include the Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Net Assets
- 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

*Copley - Chapter 02 #74*

75. 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 Assets and the Statement of Changes in Fiduciary Net Assets
- C. Both of the above
- D. Neither of the above

*Copley - Chapter 02 #75*

76. 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 Assets only
- B. The government-wide Statement of Net Assets only
- C. The government-wide Statement of Net Assets and the proprietary funds Statement of Net Assets
- D. The government-wide Statement of Net Assets and the RSI Schedule of Bonds Payable

*Copley - Chapter 02 #76*

77. Which of the following funds requires a Budgetary Comparison Schedule?

- A. Enterprise Funds
- B. Internal Service Funds
- C. Investment Trust Funds
- D. General Fund

*Copley - Chapter 02 #77*

78. Special-purpose governments that have only business-type activities should report which of the following?

- A. Statement of Net Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets and Statement of Cash Flows
- B. Statement of Net Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets
- C. MD&A, Statement of Net Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets, Notes to the Financial Statements and RSI, other than MD&A as appropriate
- D. Statement of Net Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets and RSI

*Copley - Chapter 02 #78*

79. 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

*Copley - Chapter 02 #79*

80. Which of the following is true regarding Government-wide financial statements?

- A. Statement of Cash Flows is not required for Government-wide statements
- B. Prior year data must be presented
- C. Depreciation can be reported in the statements or disclosed in footnotes
- D. Fiduciary activities are only reported if they qualify as a major fund

*Copley - Chapter 02 #80*

81. A reconciliation from Proprietary 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)
- C. They use a different measurement focus and basis of accounting
- D. They use a different measurement focus and basis of accounting

*Copley - Chapter 02 #81*

82. Which of the following sections of the CAFR is audited?

- A. Introductory section
- B. Financial section
- C. Statistical section
- D. Management section

*Copley - Chapter 02 #82*

83. The statistical section typically presents \_\_\_\_ years of information in each table or schedule.

A. 3

B. 5

C. 10

D. 12

*Copley - Chapter 02 #83*

84. What are the three major sections of the Comprehensive Annual Financial Report?

A. Introductory Section, Financial Section, Statistical Section

B. Introductory Section, Financial Section, Management Discussion and Analysis

C. Introductory Section, Financial Section, Budgetary Comparison

D. Introductory Section, Financial Section, Reporting Infrastructure

*Copley - Chapter 02 #84*

85. Proprietary FUND level financial statements include which of the following?

A. Statement of net assets

B. Statement of revenues, expenses and changes in fund net assets

C. Statement of cash flows

D. All of the above

*Copley - Chapter 02 #85*

86. 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

*Copley - Chapter 02 #86*

87. What statements are required in the Government-wide Financial Statements?

- A. Statement of Net Assets
- B. Statement of Activities
- C. Cash Flow Statement
- D. Both A and B

*Copley - Chapter 02 #87*

88. Which Statement is presented using Accrual Basis of Accounting?

- A. Governmental Fund Statements
- B. Government-Wide Financial Statements
- C. Statement of Revenues, Expenditure and changes in Fund Balances
- D. A and C

*Copley - Chapter 02 #88*



89. A statement of Cash Flows is required for which type of Fund ?

- A. Governmental
- B. Fiduciary
- C. Proprietary
- D. All of the above

*Copley - Chapter 02 #89*

90. 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

*Copley - Chapter 02 #90*

91. In governmental fund statements revenues are reported by \_\_\_\_\_ and expenditures are reported by \_\_\_\_\_ and by \_\_\_\_\_.

- A. Source, character, function
- B. Source, source, character
- C. Function, character, source
- D. Function, function, source

*Copley - Chapter 02 #91*

92. 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

*Copley - Chapter 02 #92*

93. CAFR stands for:
- A. Comprehensive Annual Financial Report
  - B. Comprehensive Annual Fiscal Report
  - C. Cumulative Annual Financing Report
  - D. Comprehensive Accounting Financial Report

*Copley - Chapter 02 #93*

94. 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. Required Supplementary Information
  - C. Other Supplementary Information
  - D. Proprietary Fund Statements

*Copley - Chapter 02 #94*

95. Which of the following is *not* true regarding the Statement of Cash Flows for proprietary funds?

- A. At the bottom of the statement, net income is reconciled to cash flows from operations
- B. Interest and dividends received are recorded as investing activities
- C. The direct method is required for reporting cash flows from operations
- D. Four categories of cash flows are used

*Copley - Chapter 02 #95*

96. Which of the following is *not* true regarding combining fund statements?

- A. Combining statements are part of other supplementary information
- B. All nonmajor funds are included in the combining statements
- C. Combining statements for nonmajor funds are required for governmental funds only
- D. The total column in the combining statements is equal to the nonmajor funds column in the basic financial statements

*Copley - Chapter 02 #96*

97. Which of the following is not true about the combining financial statements?

- A. They are required whenever there a nonmajor 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 nonmajor funds column in the basic financial statements
- C. Both of the above
- D. Neither of the above

*Copley - Chapter 02 #97*

98. Identify three items often found in Required Supplementary Information.

Any three of the following:

1. Management's Discussion and Analysis (MD&A)
2. Budgetary Comparison Schedule.
3. Schedule of Funding Progress and Schedule of Employer Contributions when a government reports a pension trust fund.
4. Certain information required when a government uses the modified approach for reporting infrastructure.
5. Certain information when a government sponsors an external financing pool.

*Copley - Chapter 02 #98*

99. List the Government-wide financial statements required by GASB Statement 34.

Government-wide financial statements:

- Statement of Net Assets
- Statement of Activities

*Copley - Chapter 02 #99*

100. List the fund financial statements required by GASB Statement 34 for governmental type funds.

Governmental fund financial statements; Balance Sheet; Statement of Revenues, Expenditures and Changes in Fund Balances

*Copley - Chapter 02 #100*

101. List the fund financial statements required by GASB Statement 34 for proprietary type funds.

Proprietary fund financial statements:

- Statement of Net Assets (or Balance Sheet)
- Statement of Revenues, Expenses and Changes in Fund Net Assets
- Statement of Cash Flows

*Copley - Chapter 02 #101*

102. List the basic financial statements required by GASB Statement 34 for fiduciary type funds.

Fiduciary fund financial statements:

- Statement of Fiduciary Net Assets
- Statement of Changes in Fiduciary Net Assets

*Copley - Chapter 02 #102*

103. List the five categories outlined in GASB Statement 44 to be included in the statistical section of the CAFR.

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

*Copley - Chapter 02 #103*

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

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 nonmajor 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.

*Copley - Chapter 02 #104*

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

A governmental fund is considered major if both of the following conditions exist: (1) total assets, liabilities, revenues, expenditures of the individual governmental fund constitutes 10 percent of the governmental funds category and (2) total assets, liabilities, revenues, 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.

*Copley - Chapter 02 #105*

106. GASB Statement 34 requires supplementary information (RSI) for what two major areas?

- Budgetary comparison schedules
- Information about infrastructure assets reporting using the modified approach

*Copley - Chapter 02 #106*

107. 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), 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.
- 
- 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.
  - 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.

108. The following information is available for the preparation of the government-wide financial statements of the City of Tall Oaks as of June 30, 2009:

Accounts payable, business-type activities	\$ 210,000
Accounts payable, governmental activities	400,000
Capital assets, net, business-type activities	10,400,000
Capital assets, net, governmental activities	12,900,000
Cash and cash equivalents, business-type activities	900,000
Cash and cash equivalents, governmental activities	1,600,000
Inventories, business-type activities	600,000
Net assets, restricted for debt service, business-type activities	400,000
Net assets, restricted for debt service, governmental activities	650,000
Noncurrent liabilities, business-type activities	3,700,000
Noncurrent liabilities, governmental activities	5,640,000
Receivables, business-type activities	1,330,000
Receivables, governmental activities	500,000

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 Assets for the City of Tall Oaks as of June 30, 2009. Include the unrestricted net assets, which is to be computed from the information presented above. Include a total column. Tall Oaks has no component units.

CITY OF TALL OAKS STATEMENT OF NET ASSETS JUNE 30, 2009			
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$1,600,000	\$900,000	\$2,500,000
Receivables	500,000	1,330,000	1,830,000
Inventories		600,000	600,000
Capital Assets, Net	<u>12,900,000</u>	<u>10,400,000</u>	<u>23,300,000</u>
Total Assets	<u>15,000,000</u>	<u>13,230,000</u>	<u>28,230,000</u>
Liabilities:			
Accounts Payable	400,000	210,000	610,000
Noncurrent Liabilities	<u>5,640,000</u>	<u>3,700,000</u>	<u>9,340,000</u>
Total Liabilities	<u>6,040,000</u>	<u>3,910,000</u>	<u>9,950,000</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	7,260,000	6,700,000	13,960,000
Restricted for Debt Service	650,000	400,000	1,050,000
Unrestricted	<u>1,050,000</u>	<u>2,220,000</u>	<u>3,270,000</u>
Total Net Assets	<u>\$8,960,000</u>	<u>\$9,320,000</u>	<u>\$18,280,000</u>



109. The following information is available for the preparation of the government-wide financial statements for the Village of Warm Springs for the year ended June 30, 2009:

Expenses:	
General government	\$21,200,000
Public safety	18,800,000
Public works	12,300,000
Health and sanitation	6,300,000
Culture and recreation	4,200,000
Water and sewer system	8,100,000
Parking system	420,000
Revenues:	
Charges for services, general government	1,200,000
Charges for services, public safety	300,000
Operating grant, public safety	670,000
Charges for services, health and sanitation	3,000,000
Operating grant, health and sanitation	1,110,000
Charges for services, culture and recreation	2,200,000
Charges for services, water and sewer	11,900,000
Charges for services, parking system	802,000
Property taxes	27,300,000
Sales taxes	25,400,000
Other:	
Special item—gain on sale of park land	1,210,000
Transfer from business-type activities to governmental	300,000
Net assets, July 1, 2008 – governmental activities	13,210,000
Net assets, July 1, 2008 – business-type activities	14,666,000

Required: From the information given above, prepare, in good form, a Statement of Activities for the Village of Warm Springs for the Year Ended June 30, 2009.

VILLAGE OF WARM SPRINGS STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2009						
		Program Revenues		Net(Expense)Revenue and Change in Net Assets		
Functions/Programs	Expenses	Charges for Services	Operating Grants	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
General Government	\$21,200,000	1,200,000		\$(20,000,000)	\$	\$(20,000,000)
Public Safety	18,800,000	300,000	670,000	(17,830,000)		(17,830,000)
Public Works	12,300,000			(12,300,000)		(12,300,000)
Health and Sanitation	6,300,000	3,000,000	1,110,000	(2,190,000)		(2,190,000)
Culture and Recreation	4,200,000	2,200,000		(2,000,000)		(2,000,000)
Total Governmental Activities	62,800,000	6,700,000	1,780,000	(54,320,000)		(54,320,000)
Business-Type Activities:						
Water and Sewer System	8,100,000	11,900,000	---	---	3,800,000	3,800,000
Parking System	420,000	802,000	---	---	382,000	382,000
Total Business-Type Activities	8,520,000	12,702,000	---	---	4,182,000	4,182,000
Total	\$71,320,000	\$19,402,000	\$1,780,000	(54,320,000)	4,182,000	(50,138,000)
	General Revenues					
	Property Taxes			27,300,000		27,300,000
	Sales Taxes			25,400,000		25,400,000
	Special Item-Gain on Sale of Park Land			1,210,000		1,210,000
	Transfers			300,000	(300,000)	---
	Total General Revenues, Special Items, and Transfers			54,210,000	(300,000)	53,910,000
	Change in Net Assets			(110,000)	3,882,000	3,772,000
	Net Assets, July 1, 2008			13,210,000	14,666,000	27,876,000
	Net Assets, July 30, 2009			\$13,100,000	\$18,548,000	\$31,648,000

110. The following general fund information is available for the preparation of the financial statements for the City of Lonesome Pines for the year ended December 31, 2009.

Revenues:	
Property taxes	\$26,800,000
Sales taxes	10,150,000
Fines and forfeits	1,320,000
Licenses and permits	1,840,000
Intergovernmental	890,000
Investment earnings	660,000
Expenditures:	
Current:	
General government	8,200,000
Public safety	20,980,000
Public works	6,300,000
Health and sanitation	1,200,000
Culture and recreation	2,160,000
Other:	
Encumbrances	100,000
Appropriations	41,000,000
Estimated Revenues	42,000,000
Transfer to debt service fund	1,130,000
Special item-proceeds from sale of land	620,000
Fund balance, January 1, 2009	3,200,000

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 Lonesome Pines for the Year Ended December 31, 2009.

CITY OF LONESOME PINES  
GENERAL FUND STATEMENTS OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
YEAR ENDED DECEMBER 31, 2009

Revenues:		
Property Taxes		\$26,800,000
Sales Taxes		10,150,000
Fees and Fines		1,320,000
Licenses and Permits		1,840,000
Intergovernmental Revenues		890,000
Investment Earnings		<u>660,000</u>
Total Revenues		41,660,000
Expenditures:		
Current:		
General Government	\$ 8,200,000	
Public Safety	20,980,000	
Public Works	6,300,000	
Health and Sanitation	1,200,000	
Culture and Recreation	2,160,000	
Total Expenditures		<u>38,840,000</u>
Excess of Revenues Over Expenditures		2,820,000
Other Financing Sources (Uses):		
Transfer to Special Revenue Fund	<u>(1,130,000)</u>	
Total Other Financing Sources (Uses)		(1,130,000)
Special Item: Proceeds from Sale of Land		<u>620,000</u>
Net Change in Fund Balance		2,310,000
Fund Balance, January 1, 2009		<u>3,200,000</u>
Fund Balance, December 31, 2009		<u>\$5,510,000</u>

111. 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, 2009:

Operating revenues—charges for services	\$16,900,000
Operating expenses:	
Personal services	8,090,000
Contractual services	2,222,000
Utilities	880,000
Repairs and maintenance	1,580,000
Depreciation	2,840,000
Interest revenue	130,000
Interest expense	340,000
Capital contributions	520,000
Transfer to general fund	700,000
Net assets, July 1, 2008	990,000

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 Assets for the County of Augusta for the Year Ended June 30, 2009.

COUNTY OF AUGUSTA WATER AND SEWER FUND STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS YEAR ENDED JUNE 30, 2009		
Operating Revenues:		
Charges for Services		\$16,900,000
Operating Expenses:		
Personal Services	\$8,090,000	
Contractual Services	2,222,000	
Utilities	880,000	
Repairs and Maintenance	1,580,000	
Depreciation	<u>2,840,000</u>	
Total Operating Expenses		<u>15,612,000</u>
Operating Income		1,288,000
Nonoperating Revenues (Expenses):		
Interest Revenue	130,000	
Interest Expense	<u>(340,000)</u>	
Total Nonoperating Revenues and Expenses		<u>(210,000)</u>
Income Before Contributions and Transfers		1,078,000
Capital Contributions		520,000
Transfer to General Fund		<u>(700,000)</u>
Change in Net Assets		898,000
Net Assets, July 1, 2008		<u>990,000</u>
Net Assets, June 30, 2009		<u>\$ 1,888,000</u>





## c2 Summary

	<u>Category</u>	<u># of Questions</u>
	Copley - Chapter 02	111