

4. REPORTING

4.6 Notes to Financial Statements

4.6.2 Instructions

4.6.2.10 Notes to financial statements are intended to communicate information necessary for a fair presentation of financial position and results of operations that is not readily apparent from, or cannot be included in, the financial statements themselves. The notes are an integral part of the financial statements and should supplement them. The notes which follow are designed to illustrate the disclosures required for cash basis local governments. The notes must reflect the local government's accounting policies and must include disclosure in the areas listed as they relate to the government's financial position.

4.6.2.20 **Delete** the notes that do not apply and **add** others that are needed for readers to understand the financial statements:

- Example notes presented in the manual are considered the minimum requirement for disclosure, as applicable. Since the basis of accounting is other than GAAP, disclosures required for fair presentation include a description of the basis of accounting, how it differs from GAAP and disclosures similar to those required by GAAP for any elements presented in the financial statements that are similar to GAAP (e.g., example deposits and investments, property taxes, etc.). Additional disclosures not specifically shown as examples may also be required to achieve fair presentation for unique facts and circumstances.
- Notes should not include irrelevant, obsolete, trivial or superfluous information. For example, governments should refrain from negative disclosure (stating that a potential disclosure is inapplicable, such as *there were no subsequent events requiring disclosure*).

4.6.2.30 The notes to financial statements can be presented in any format (i.e., narratives, tables, schedules, matrixes, etc.) as long as they contain the required information. Note disclosures should be expressed as clearly and simply as possible and include explanations as necessary to ensure it is understandable by users. However, this does not mean that disclosures should avoid precise technical terms or omit or abridge information that may be complicated or difficult to understand.

4.6.2.40 Attach the notes immediately behind the financial statements.

4.6.2.50 Example notes in BARS Manual consist of *Sample Text* and *Instructions to Preparer*.

Sample Text – example of common or standard language meant to help write the note. Sample text should be modified, deleted or added to as necessary to fairly present the government's circumstances. While sample text is given, it is the local government responsibility to determine accuracy and adequacy of the disclosure.

Instructions to Preparer – comments and instructions on how to write the note, including required elements or additional versions of the note not shown in the sample text.