

**STATE ACCOUNTING OFFICE
CONSTRUCTION & OTHER SIGNIFICANT COMMITMENTS
FISCAL YEAR 2005**

GAAP require that material commitments, such as construction contracts, be disclosed. Commitments are defined as “existing arrangements to enter into future transactions or events, such as long-term contractual obligations with suppliers for future purchases at specified prices and sometimes at specified quantities”. The most common disclosures of this type are construction contracts outstanding; loan guarantees, commitments and subsidies; leases; installment purchases; long-term debt (bonds and notes); and encumbrances. **Significant long-term commitments not recognized in the financial statements must be disclosed.**

While encumbrances are typically recognized in the financial statements (budgetary basis of accounting), they are removed under GAAP and significant encumbrances must be disclosed in the notes to the financial statements.

Note: Complete the contractual/construction worksheets on the Form_General Information only for each material contractual or construction commitment not recorded in payables that is outstanding as of the end of the fiscal year. **Do not** include contracts for GSFIC-funded projects.

AGENCY PROCEDURES

1. Complete form for all significant long-term commitments not recognized in the financial statements. An additional form is included for contractual/construction commitments.
2. Examine outstanding encumbrances for any significant long-term commitments.
3. Examine other contractual agreements for amounts not reported on the financial statements.