

**A STUDY FROM  
REVENUE RESOURCES AND ECONOMIC COMMISSION  
ON  
LOCAL FISCAL REPORTING  
TO  
THE GOVERNOR  
AND  
THE GENERAL ASSEMBLY OF VIRGINIA**



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REPORT TO THE  
GOVERNOR AND THE GENERAL ASSEMBLY  
OF THE  
REVENUE RESOURCES AND ECONOMIC COMMISSION  
SUBCOMMITTEE ON LOCAL FISCAL REPORTING

Interim Report  
1978

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## INTRODUCTION

In May, 1977, the Revenue Resources and Economic Commission established a Subcommittee on Local Fiscal Reporting. The need for such a committee had become apparent as legislative committees and commissions and local government organizations sought to analyze the financial picture of local governments, both individually and collectively, in an effort to determine the financial needs of Virginia's localities. These groups were hampered by the lack of uniform data currently existing at the state level related to local revenues and expenditures. The Auditor of Public Accounts presently publishes two reports annually--Comparative Cost of County Government and Comparative Cost of City Government. These are helpful documents, but users are aware of several limitations. The reports, when first established, were developed to meet somewhat different purposes than is now the case. For example, there is a need to make comparisons between all cities and counties. The present structure of reporting allows for limited comparisons between cities or counties, but not between both types of local governments. The reports present data in such a way that it is difficult to separate real differences in spending and revenue effort from differences due to variations in accounting and reporting practices.

The Subcommittee on Local Fiscal Reporting has undertaken to modify and expand the reporting system now used by the Auditor of Public Accounts. In developing concepts and

reporting procedures, the Subcommittee has worked closely with the Auditor of Public Accounts, 26 representative local governments, local government organizations, private CPA firms which perform governmental auditing, and the Governments Division of the Bureau of the Census. The Subcommittee is greatly appreciative of comments and suggestions it has received from these sources. The success of this project is contingent upon the continuation of their valuable assistance.

The requirements of financial reporting are dependent upon the general objectives to be made of the information which is to be collected and the key users of the data. The following pages outline the Subcommittee's view of the concepts of uniform local fiscal reporting and the purposes which it feels such reporting should meet. Some of the key procedures of a reporting system are addressed as well as a recommendation of the appropriate structure for the local report forms.

This document serves as an interim report of the Subcommittee. It is intended to set forth the basic premises on which recommendations are made for the development of a local reporting system at the state level. The Subcommittee recommends that such a system be retained in the Office of the Auditor of Public Accounts. It is important to recognize, however, that the reporting system being recommended by this

Subcommittee is an expansion of the program which is presently the responsibility of the Auditor of Public Accounts, and as such may require an additional appropriation of state funds.

The Subcommittee plans to continue its work and develop the concepts embodied in this report into the specifics of a uniform local report form and reporting system.

CONCEPTS AND OVERVIEW OF A  
UNIFORM LOCAL FISCAL REPORTING SYSTEM

Governmental accounting exists for the purpose of providing complete and accurate financial information, in proper form and on a timely basis, to the several groups of persons responsible for, and concerned with, the operations of governmental units and agencies. The primary objectives of accounting in the public sector are:

1. Management Control - providing the information necessary for faithful, efficient, effective and economical management of an operation and of the resources entrusted to it; and
2. Accountability - providing information to allow managers to report on the discharge of their responsibilities to administer programs and use the resources under their direction and to assure compliance with legal requirements; and to permit all public officials to report to the public on the results of government operations and the use of public funds.

Financial reporting is part of the accounting process. It is defined as communicating the relevant financial and related information in an understandable and useful manner. The definition of "understandable and useful manner" is, to some degree, a function of the users of the information. Public financial reporting takes many different forms and may be for several purposes. The major users include:

1. the public - including individual citizens, public employees, public interest groups, and the press - is interested in the cost of public services and the available financial resources to meet such costs;
2. governing bodies - either the legislative body of the reporting entity or other governments - have several interests in financial reporting. The governing body of the entity must have information to make program evaluation and budgetary planning. Other governments are part of the complex intergovernmental relationships and as such may require data on the financial operations of which they may be a part. Grantors require reports indicating compliance with grant requirements. Federal, state, and local governments need an information base for making comparable analysis. Equitable decisions related to federal, state, or local aid as to the appropriate allocations require a solid foundation of public financial data;
3. research groups and individual researchers - utilize data from government financial reports in analyzing and seeking improvement of public financial administration;
4. investors - investment bankers, individual investors and bond rating services - are continually interes-



in the financial status and operating results of governmental units, not only as a basis for appraising existing bonds or other outstanding debt, but also for the purpose of analyzing the credit worthiness of the government for future debt issues;

5. managers - must rely on financial reports in daily decision making as well as for planning future operations.

It is the intent of the Revenue Resources and Economic Commission through its Subcommittee on Local Fiscal Reporting to devise a system of local fiscal reporting primarily for use by the first three groups--the public, governing bodies, and research groups. The information system will be available to benefit the decision-making process at both the state and local levels and aid in the understanding of local government revenues and expenditures both individually and collectively. As a by-product it is hoped that the information developed will have benefits for all user groups. For example, the information system developed by the reporting process, while not providing a manager with sufficient data for day-to-day administrative decisions, will provide "benchmarks" by which further analysis may pinpoint a need for more efficient expenditures in a particular function.

The success of the reporting process is dependent upon a good local accounting system. Generally accepted accounting

standards for local governments have existed since 1934. Two groups now share jurisdiction over the standards and their publications provide the basis for a comprehensive governmental accounting system. The National Council on Governmental Accounting (NCGA) has issued Governmental Accounting, Auditing, and Financial Reporting (GAAFR). The NCGA's principles of accounting as contained in GAAFR are recognized as establishing the "generally accepted accounting principles" as applied to governmental units. The American Institute of Certified Public Accountants (AICPA) has published the Audits of State and Local Governmental Units which is also known as the Audit Guide. The body of principles contained in the Audit Guide represents the generally accepted auditing standards (as recognized by the accounting profession. Generally, the AICPA and the Audit Guide recognize the authority of NCGA and GAAFR, although there are differences in emphasis and detail. It should be noted that NCGA is in the process of restating GAAFR which was last revised in 1968. The restatement project constitutes a "modest revision" to update, clarify, amplify and reorder GAAFR with an important objective of incorporating pertinent aspects of the Audit Guide which was first published in 1974.

The Revenue Resources and Economic Commission Subcommittee on Local Fiscal Reporting strongly endorses the use of "generally accepted accounting principles" (GAAP) by local governments. GAAP is not a static body of knowledge; the princi

are periodically modified and clarified in an effort to update the thinking on the basic principles in accounting. It is to Virginia's advantage to keep in step with GAAP which has widespread acceptance and acknowledgement as the primary source for authoritative principles of public accounting. It is also recommended that a manual be prepared by the Auditor of Public Accounts for use by Virginia localities which outlines what GAAP are, clarifies any ambiguities, and sets forth the recommended principle where different approaches are stated by GAAFR and the Audit Guide. The Subcommittee feels very strongly that all local governments should strive towards adopting "generally accepted accounting principles." While such changes may slightly impair comparisons for a particular locality over a long period, it is felt that major emphasis should be on comparability among localities within one fiscal year. It is also recognized, however, that for some local governments an immediate change which embraces all such principles would be costly both in the short run for the initial change and in the long run for qualified staff.

Although the Subcommittee acknowledges the problems created for some local governments to make immediate change to an accounting system which totally implements the principles set forth in GAAFR, it assumes that the Auditor of Public Accounts and private audit firms will offer the assistance needed by local governments to move towards acceptance of all "generally accepted accounting principles" (GAAP). Adherence to GAAP is

a major tool in achieving uniformity.

The reporting format developed by the Subcommittee classifies expenditures according to the purposes for which the expenditures were made, in order that the local government may inform its citizens, as well as its officers, how tax monies are used and the cost of services provided. Thus, expenditures are categorized into twenty-four functions and, to the extent practical, all operating costs of each function are included (e.g., employee benefits, departmental overhead, and all administrative costs connected with the function which can be isolated). Major capital outlay costs, debt service, and enterprise activities are each reported separately. The expenditures for each function will also be reported according to the sources of revenue used for making the expenditures (i.e., categorical state and federal aid or charges for services). On the revenue side, revenues are reported by source. They are also grouped for summary purposes according to whether they originated at the local, state, or federal level.

Although the Subcommittee feels that having statewide information on all local governments--incorporated towns, cities, and counties--is very important, it decided that the reporting system should first be developed for cities and counties. All cities and counties have full service local governments, whereas towns generally have governments with limited functions; in particular, most towns do not finance public education. It was felt

that major compromises would have to be made in the reporting format if counties, cities, and towns were put on a comparable basis. Furthermore, in terms of dollar magnitude, town finances are relatively insignificant compared with those of cities and counties. Of the 189 towns, 176 have populations below 5,000 and nearly 90% have populations under 2,500. The small towns with populations under 5,000 account for only 1.8% of all revenue from own sources of local governments in Virginia. The Subcommittee goes on record as acknowledging the need for developing state statistics on towns, but feels that such a system should be handled as a separate project to be pursued at a later time.

Data which are uniformly reported by all cities and counties will facilitate comparative analysis of local governments. They may pinpoint functions of like-sized localities where discrepancies in expenditures exist and further analysis should be sought. Uniform reporting will prove valuable in measuring the level of state and federal participation in particular functions, as well as in making comparisons of state and federal funding between local governments. In addition, uniform reporting will aid in developing local fiscal impact statements for proposed legislation at the state level. Without adequate information about the financial affairs of local governments, it is difficult for the state government to know, much less deal effectively with, the financial problems of its political

subdivisions.

Uniformity is the key word to a good local fiscal information system. The reporting format must be developed such that there is a clear and comprehensive definition of each expenditure function and each revenue classification. Other procedures, such as the accounting basis for reporting (e.g., accrual or cash), must also be prescribed. Achieving uniformity is vital for the success of a local fiscal reporting system and will be dependent upon two factors. First, the responsible state agency, the Auditor of Public Accounts, must provide adequate explanations, training, and assistance at all stages of the process--reporting, collection, and compilation. Secondly, local governments must make concerted efforts to cooperate and supply the required information.

The reporting format requires of local governments a recording of all dollars flowing through that particular local government. Careful attention must be taken to insure that no dollars are double counted for reporting purposes as they flow from one fund to another within the local fund structure.

In order to get a more complete picture of the revenue and expenditures relative to particular functions in each locality, the data submitted by each local government will be supplemented with data showing direct expenditures made at the state level on behalf of the locality. For example, the state directly funds a portion of the cost of retirement for teachers.

In order to get a true picture of the cost of education in a particular locality, these retirement costs should be included. Since these dollars do not flow through the local government, they cannot be accounted for in a local reporting system. This type of information will be supplemented at the state level.

The timing of the reports, i.e., when they are to be submitted by the localities, as well as when the summary report is available to the public, is also important. Presently, audit reports for all cities and counties are not completed until one year following the fiscal year for which the audit is made. The distribution of the audited reports falls evenly over this time frame, as can be seen in a table showing the completion dates of the audits for FY 1975-76. (See the table which follows.)

It does not seem practical to have the local report forms submitted to the Auditor of Public Accounts prior to the completion of the audit for that fiscal year. The data to be reported would not be in their best form until the audit is complete and, in some cases, the data would not be in any form until the audit is complete. Many localities have their auditor prepare the report form which is presently submitted to the Auditor of Public Accounts. The Subcommittee feels that this is appropriate. In addition to allowing time for all audits to be submitted to the Auditor of Public Accounts, a

AUDITED REPORTS  
FISCAL YEAR 1975-76  
(COMPLETION DATE BY MONTH)

1976

OCTOBER - 13

Accomack  
Albemarle  
Bedford  
Charles City  
Greene  
Mathews  
Roanoke  
Rockingham  
Warren  
-----  
Franklin  
Fredericksburg  
Harrisonburg  
Portsmouth

NOVEMBER - 14

Buckingham  
Cumberland  
Essex  
Halifax  
Isle of Wight  
King & Queen  
Louisa  
Nelson  
Nottoway  
Southampton  
-----  
Bedford  
Danville  
Martinsville  
Richmond

DECEMBER - 17

Charlotte  
Fauquier  
Giles  
Greensville  
King George  
Mecklenburg  
Northampton  
Prince Edward  
Rockbridge

DECEMBER

(Contd.)  
Russell  
Spotsylvania  
Washington  
Westmoreland  
-----  
Chesapeake  
Colonial Heights  
Roanoke  
Virginia Beach

1977

JANUARY - 17

Appomattox  
Arlington  
Augusta  
Montgomery  
Northumberland  
Page  
Patrick  
Prince George  
Prince William  
Sussex  
Wise  
York  
-----  
Buena Vista  
Galax  
Hampton  
South Boston  
Williamsburg

FEBRUARY - 18

Alleghany  
Caroline  
Clarke  
Fairfax  
Fluvanna  
Goochland  
Henry  
James City

FEBRUARY

(Contd.)  
King William  
Lunenburg  
Smyth  
Surry  
-----  
Alexandria  
Bristol  
Newport News  
Norfolk  
Salem  
Winchester

MARCH - 18

Amelia  
Bath  
Botetourt  
Campbell  
Craig  
Dinwiddie  
Franklin  
Grayson  
Highland  
Lancaster  
Powhatan  
Pulaski  
-----  
Charlottesville  
Fairfax  
Hopewell  
Lexington  
Norton  
Staunton

APRIL - 11

Bland  
Brunswick  
Gloucester  
Henrico  
Middlesex  
New Kent  
Shenandoah

APRIL

(Contd.)  
Wythe  
-----  
Manassas  
Petersburg  
Radford

MAY - 17

Amherst  
Chesterfield  
Culpeper  
Floyd  
Frederick  
Hanover  
Lee  
Loudoun  
Madison  
Orange  
Pittsylvania  
Rappahannock  
Scott  
Stafford  
-----  
Covington  
Emporia  
Poquoson

JUNE - 11

Buchanan  
Carroll  
Dickenson  
Richmond  
Tazewell  
-----  
Clifton Forge  
Falls Church  
Lynchburg  
Manassas Park  
Suffolk  
Waynesboro



summary report must also allow time for compilation and verification of the data, as well as for printing. The desire for timely reports on local fiscal data must be weighed and balanced with what is feasible for the local governments (consideration of their resources--both time and money) as well as what will allow for collection of good data. Although the Subcommittee feels that the ideal time frame for submitting the local reports is very soon after the close of the fiscal year, it does not feel that this is practical if accurate results are to be collected. While commercial enterprises are generally audited immediately following the close of the fiscal year, a comparison of local governments with the state government may be more appropriate. The audits for state agencies are spread over a period greater than the year following the fiscal year which is being audited. Further, a preliminary financial report is not available until August 15 and the final financial report issued by the Comptroller is not available until the first of December. The appropriate time frame for completed local audit reports must take into consideration the fact that the Auditor of Public Accounts audits approximately one-fourth of the cities and counties. Effective for the FY 1976-77 audits, the Auditor of Public Accounts has required a January 31 completion date for all counties. The Auditor of Public Accounts was able to set this deadline by an adjustment in the priorities of the staff work program. A much stricter time frame (e.g.,

August or September), however, would probably result in additional staff needs for the Auditor of Public Accounts or a necessity for some localities changing to private audit firms at a greater cost to the locality.

At this time, the Subcommittee recommends that all counties and cities submit their audit report and reporting form to the Auditor of Public Accounts as soon after the close of the fiscal year as possible and no later than November 30. It is hoped that localities and auditing firms will strive for an even shorter time frame. The Subcommittee also recommends that the summary report prepared by the Auditor of Public Accounts should be available to legislators, local governments, and the general public by the end of January.

Although the summary report of comparative cost is a valuable tool, the Subcommittee feels that this should only be considered as one outgrowth of the reporting by localities. It is strongly recommended that all data submitted by localities be computerized such that timely retrieval of the more detailed information will be possible. Interested state agencies, academic institutions, and local governments and their organizations should have access to the information for purposes of detailed analyses.

The proposed reporting form being developed by the Subcommittee will be the report required of the cities in lieu of the present report submitted to the Auditor of Public Accounts. For

the counties, the report form will be an additional requirement as the data presently used in preparing the Comparative Cost statement is extracted by the Auditor of Public Accounts from the audits submitted by the counties. It is not perceived that this will be a major additional administrative burden to the counties. Further, it is felt that the person preparing a county audit is in the best position to be providing such data in conjunction with the audit.

The Subcommittee is also aware of the several reporting requirements made of local governments. Where possible, an effort should be made to consolidate local reporting and to ensure uniformity. At a minimum, obvious discrepancies between various reports should be clearly footnoted as to the reasons for differences. With this information, the users of the reports will be less likely to make erroneous comparisons of data.

The following pages contain discussion and recommendations on specific issues that must be addressed in developing a reporting system. The issues discussed include:

METHOD OF ACCOUNTING  
TREATMENT OF FUNDS AND INTERFUND TRANSFERS  
DEBT SERVICE  
CAPITAL OUTLAY  
ENTERPRISE FUNDS  
ALLOCATIONS OF PARTICULAR EXPENDITURES  
FUNCTIONAL CATEGORIES  
PENSION PLAN.

Preliminary table formats that are suggested for the Summary Report of Comparative Cost for Local Governments are also included as part of this document, as well as worksheets which will be required. It is hoped that inclusion of this material will provide legislators, local officials, and other groups concerned with local fiscal reporting, with the basic ideas of the reporting system which is being recommended. The Subcommittee invites comments and suggestions.

#### METHOD OF ACCOUNTING

"Basis of accounting" refers to when revenues, expenditures or expenses, as appropriate, and transfers--and the related assets and liabilities--are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made. In governmental units, it is not unusual for accounting records to be maintained on one method of accounting during the year and converted to another method at year end. For the purposes of uniform local fiscal reporting, the method of accounting to be applied to the reporting format must be determined. The following options are listed.

1. CASH BASIS - Revenues are not recorded in the accounts until they are actually received in cash and expenditures are not recognized until each payment is made. Although this basis is very clear-cut as to what revenues and expenditures are to be recorded in a particular fiscal year, an accurate comparison of expenditures in relation to services rendered is not possible, because the services may be rendered in one fiscal period and the disbursements related to such services may be made in another fiscal period. For example, in many localities, teachers have the option of receiving their salary payments on a nine-month basis or a twelve-month basis. Those who choose to be paid on a twelve-month basis, September-August, will receive their last two payments in the fiscal year following the fiscal year in which the services were rendered. Therefore, if the accounts are kept on the cash basis, all the expenses incurred for Education (teachers' salaries) will not be totally reflected in the fiscal period which they benefited.
2. ACCRUAL BASIS - Revenues are recorded in the accounts at the time they are earned and expenditures are recorded when the liability for them is initially incurred. GAAFR feels that "the accrual basis, to the extent that it is practical, provides a superior method of accounting for the inflow and outgo of economic resources because it relates cost and expenditures to the time period in which benefits of the outlays are received. It also provides a more accurate matching

of these benefits with any associated revenues." GAAFR recommends that five funds utilize the accrual basis--(1) Enterprise, (2) Inter-governmental Service, (3) Capital Projects, (4) Trust and Agency, and (5) Special Assessment. The Audit Guide allows an exception to the accrual basis for the latter three funds. If revenues are not susceptible to accrual, they should be recorded as collected ("susceptible" defined below). In Special Assessment Funds, interest income on assessments receivable and interest expense on offsetting bonds payable or other long term debt should not be accrued unless fully matured and not paid.

3. MODIFIED ACCRUAL BASIS - For three classes of funds, GAAFR recognizes that the use of the full accrual basis is not feasible or practical because the expenditures in these funds do not generate and are not directly associated with fund revenues raised by taxation and other revenue-producing powers. Modifications to the accrual method of accounting for budgetary funds, i.e., the General Fund, Special Fund, and Debt Service Fund, are discussed as follows. Revenues are recorded as received in cash except for (a) revenue susceptible to accrual, and (b) revenues of a material amount that have not been received at the normal time of receipt. (a) Revenues considered susceptible to accrual are those revenues that are both measurable and available. "Available" means that the item is a resource that can be used to finance the governmental operations during the year. Few types of revenues possess the characteristics essential to meet both criteria of being measurable and available. Revenue sources that generally are not considered susceptible to accrual include those generated on a self-assessed basis, such as income taxes and sales tax. Normally, such taxes would be recorded as revenue when received. However, known refunds of such taxes should be recorded as a liability and a reduction of revenue as of the time the refund claims are filed with the taxing authority. It appears clear in the Audit Guide that reimbursements from other entities should be accrued. The

discussion is less clear, however, as to how grants such as federal revenue sharing should be handled. In this situation, the Auditor of Public Accounts should issue guidelines so that all localities will be uniform. One major source of revenue which may or may not be accruable is property taxes. GAAFR feels this revenue should be accrued as it is levied pursuant to law as of a specific date, the amount of the tax is precisely determinable in advance, and an enforceable legal claim attaches to the properties and/or taxpayers subject to the tax. Property taxes are accrued, and Allowance for Uncollectible Taxes should also be set up and shown as a deduction from the receivable account. The Audit Guide, however, states that timing considerations and the availability of such revenues to meet expenditures in the related budget year are the major factors in whether or not property taxes should be accrued. (b) Some revenues, even though not susceptible to accrual, should be recorded prior to actual receipt if revenues are of a material amount. This seems to have limited relevance in Virginia.

Expenditures are recorded on the accrual basis, except in the instances discussed below.

(a) Disbursement for inventory type items (e.g., materials and supplies) may be considered expenditures either when purchased (purchase method) or when used (consumption method); (b) Expenditures for insurance and similar services extending over more than one accounting period or prepaid in a prior accounting period, need not be allocated between or among accounting periods, but may be accounted for as expenditures of the period of acquisition; (c) Interest on long term debt, commonly accounted for in debt service funds, normally should be recorded as an expenditure on its due date; (d) The encumbrance method of accounting is an additional modification to the accrual basis. (See discussion below.)

4. ENCUMBRANCES - Encumbrances are obligations in the form of purchase orders, contracts, or other commitments which are chargeable to an appropriation and for which a part of the appropriation is reserved. Encumbrances outstanding at year end should not be recorded as expenditures and liabilities, but as reservations of fund balance for

subsequent year expenditures. Encumbrance accounting is required to the extent necessary to assure effective budgetary control and to facilitate effective cash planning and control. Encumbrances outstanding at year end do not constitute expenditures, but indicate the use of budgetary authority in one period to be followed by an expenditure in the subsequent period.

5. BASIS OF ACCOUNTING REQUIRED BY THE AUDITOR OF PUBLIC ACCOUNTS - Revenues are recorded on a modified accrual basis. Only those revenues, however, which are reimbursable from the state or federal government (and in some cases another jurisdiction) are accrued. ABC profits, sales tax, property taxes, etc. are not accrued. Federal revenue sharing is not accrued by the Auditor of Public Accounts; however, some CPA firms auditing Virginia localities do accrue this revenue source. On the expenditure side, accounts paid or payable at the end of the fiscal year are charged as expenditures. Accounts payable are defined as those items or services which have been received within the fiscal period, but for which cash disbursements have not yet been made.
6. BASIS OF ACCOUNTING REQUIRED BY BUREAU OF THE CENSUS IN GOVERNMENTAL FINANCE REPORTING - For a single government, the Census Bureau recognizes the basis of accounting may differ as between funds. Census statistics as to governmental revenue are compiled in terms of amounts collected (net of refunds). Census statistics on governmental expenditure are developed from whatever records will provide the most adequate detail as to financial transactions without regard to the accounting basis. This means that Census figures as to expenditures for different governments are not always comparable because they reflect cash disbursements in some cases and relate to obligations incurred or accrued in other cases.
7. SUBCOMMITTEE RECOMMENDATION - It is recommended that the accrual basis of accounting be utilized in five funds as recommended by GAAPFR-- Enterprise, Intragovernmental Service, Capital Projects, Trust and Agency, and Special Assessment. Further, the exception to the accrual basis for the latter three funds as set forth in the Audit Guide is



also recognized. For the remaining three funds (General, Special, and Debt Service) the modified accrual basis of accounting is recommended as explained in #3. Use of encumbrance accounting is at the option of the local government but will not be used in local fiscal reporting.

#### TREATMENT OF FUNDS AND INTERFUND TRANSFERS

GAAFR states that, "Governmental accounting systems should be organized and operated on a fund basis." A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources together with all related liabilities, obligations, reserves, and equities which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. There are eight major types of funds recognized by GAAFR (General, Special Revenue, Debt Service, Capital Projects, Enterprise, Intragovernmental Service, Trust and Agency, and Special Assessment). Governmental accounts are organized on the basis of funds, each of which is completely independent of any other. In addition to its own financial transactions of an internal nature (i.e., payroll) and external nature (i.e., purchase of commodities), each fund in a governmental unit may have financial transactions with other funds in the same governmental unit. Since each fund is a completely independent entity, the amounts due it from other funds as well as the amounts it owes to them must be reflected in the accounts and financial statements. Inter-fund receivables and payables may result from services rendered by one fund or another or from inter-fund loans.

The Subcommittee on Local Fiscal Reporting recognizes and endorses fund accounting by each local government. It also recognizes that the audited financial statement of each local government presents funds separately. For the purpose of local fiscal reporting, however, statistics will be organized in four fund groupings--General Fund, Debt Service Fund, Capital Projects Fund, and Enterprise Funds

For reporting purposes, the General Fund will include the revenues and expenditures of Special Funds and Intragovernmental Service Funds. When consolidating figures for these three funds, careful attention must be given to net out the transactions between the individual funds so that there is no double counting of dollars. Interfund transfers should be handled such that the dollars are only reported as an expenditure in one function. Expenditures made for intragovernmental services (e.g., central garages and motor pools, central printing and duplicating, data processing) should be allocated according to the benefits derived to the particular function serviced. Any administrative costs or overhead which is not charged to a particular function should be accounted for under Internal Administration. Retained earnings (surpluses) in an Intragovernmental Service Fund or any other fund which is not being reported outside of the General Fund will be reflected in the end of year balance. Careful attention should also be given in the reporting such that interfund reimbursements are not double counted as either expenditures or revenues. Other interfund transfers should be reported only in the function which is the final location of the expenditure.

Reimbursements from another governmental entity for a service provided for that entity should be treated as expenditure refunds; the flow of dollars, therefore, for providing such a service would not be reflected. For example, money received from the state for the care of state prisoners should be subtracted from the total expenditures and therefore not considered as an expenditure necessary for maintaining jails in the reporting locality. Furthermore, refunds for an overpayment in expenditures is not reflected as revenue but as a reduction in the expenditure. In this manner, the figures which will be reported in the General Fund of a locality will only reflect the revenue received or the expenditures made which benefit that locality exclusively.

#### DEBT SERVICE

Debt Service Funds, as defined by GAAFR, are created to account for

the payment of interest and principal on long-term, general obligation debt. Two exceptions may exist. General obligation debt payable from special assessments are not included in the Debt Service Fund, but properly carried as a liability of the Special Assessment Fund to which they apply. An option exists with the debt that is issued for Enterprise Funds. Varying degrees of debt service cost assumption by Enterprise Funds may exist. On the one hand, limited earnings under legal restrictions or existing financial policies may permit an enterprise to pay none or only a small portion of the debt service on general obligation bonds issued for its benefit. At the opposite extreme, an enterprise may be able to pay all general obligation debt service costs in addition to other operating and maintenance expenses, and these charges are, therefore, paid from earnings of the Enterprise Fund.

The Subcommittee recommends that the total debt service of a local government should be reflected in the Debt Service Fund. All debt service which is issued for the benefit of public enterprises should, for reporting purposes, be reflected in the Debt Service Fund, but revenue to pay for such should be shown as a transfer from the appropriate Enterprise Fund.

See Exhibit A-4 and the accompanying worksheets for the suggested reporting formats related to the Debt Service Fund. Exhibit B provides a summary of total debt service for each locality.

#### CAPITAL OUTLAYS

GAAFR defines capital outlays as expenditures which result in the acquisition of or addition to fixed assets. Fixed assets are assets of a long-term character which are intended to continue to be held or used, such as land, buildings, machinery, furniture, and other equipment.

GAAFR recommends a Capital Projects Fund to account for all resources used for the acquisition of capital facilities by a governmental unit except those financed by Special Assessment and Enterprise Funds. Capital Projects Funds are not designed to handle and account for all capital

outlays of a governmental jurisdiction. Capital outlays which are purchased, not constructed or fabricated by a locality, are to be reflected in an object classification. Capital projects, as defined by GAAFR for the purpose of the Capital Projects Funds, are those capital outlays other than Special Assessment and Enterprise Fund projects, which involve the construction of major, permanent facilities having a relatively long life. These projects do not include fixed assets with a comparatively limited life, such as various types of machinery and office equipment which are reflected as operating expenses in the General Fund.

Reporting all capital outlays under the appropriate expenditure function (e.g., construction cost for a new library would be reflected in libraries) is another alternative for handling capital outlay. One advantage of this approach would be that all expenditures made by a local government for a particular function would be pinpointed under one functional category. In addition, a problem is not created as to defining capital outlays for the purpose of reporting some or all separately. While there may be some advantage to isolating all expenditures made for a particular function, the inclusion of major capital facilities in some cases would balloon the expenditures made by a locality in a particular fiscal period. Erroneous comparisons between localities would be more likely to result if one were not aware that one locality was reflecting a major one-time expense. A practical problem may also arise in isolating the cost of a project which is just one of several being funded by a general bond sale. Interest costs are a part of the cost of the project, but it may be difficult to isolate the interest. Further, many capital facilities such as a city hall or court house would be an expenditure necessary for many functions. Dividing the cost of a city hall between the functions it benefits would be impractical if not impossible.

The Auditor of Public Accounts reports some capital outlays in a separate table from general operating costs. In a verbal policy, the Auditor of Public Accounts includes those capital outlays which are obtained for replacement purposes as an expenditure under the general

operating expenses. Expenditures which provide additional fixed assets or are related to the acquisition of such (contractual, architectural, and engineering fees, etc.) are reported separately as capital outlays. In the Comparative Cost reports prepared by the Auditor of Public Accounts, the tables reflecting capital outlays are handled differently. Capital outlays reported for the county governments include capital expenditures made in Enterprise Funds. For cities, the Auditor of Public Accounts separates certain capital outlays made for public service enterprises from the details of capital outlays. The Department of Education also requires localities to report some capital outlays in a separate table in the report form which they require of the local school divisions. The definition used by the Department of Education is the same as that used by the Auditor of Public Accounts.

The Bureau of the Census in its reporting requirements, also separates capital outlay from current operations. Its definition, however of what should be considered in each category varies from the Auditor of Public Accounts. Capital outlay expenditures are subdivided into three object classes as follows:

1. Construction. Includes production of fixed works and structures and additions, replacements, and major alterations thereto, undertaken either on a contract basis by private contractors or through force account. Includes planning and designing of specific projects and grading, landscaping and other site improvements, and provision of equipment and facilities that are integral parts of a structure. Construction excludes expenditures for repairs (classified as current operation) unless these cannot readily be segregated and identifiable payments to other governments for construction work (classified as intragovernmental expenditure).
2. Equipment. Purchase and installation of apparatus, furnishings, motor vehicles, office equipment, and the like, having an expected life of more than five years. Includes both additional equipment

and replacements. Rentals for equipment, including any rental payments that may be credited on the purchase price if purchase options are exercised, are classified as current operation expenditure. Equipment and facilities that are integral parts of constructed or purchased structures are classified respectively under construction or purchase of land and existing structures.

5. Purchase of land and existing structures. Purchase of these assets as such, purchase of rights-of-way and title search and similar activity associated with the purchase transactions.

Further, receipts arising from insurance adjustments, sales of equipment, reimbursements, and the like are classified as revenue rather than as an offset to capital outlay expenditure. Expenditures related to water supply, electric light and power, gas supply and transit systems are all reflected separately from both current operating and capital outlay.

A comparison for a few local governments of the figures reported for capital outlay in FY 1974-75 by the Bureau of the Census and the Auditor of Public Accounts graphically shows the differences in reporting.

	<u>Census</u>	<u>APA</u>
Arlington	\$12,845,000	\$41,514,000
Fairfax	70,484,000	86,763,000
Henrico	6,989,000	8,221,000
Prince William	11,941,000	12,208,000
Alexandria	12,479,000	9,594,000
Chesapeake	9,792,000	7,255,000

(Figures rounded to nearest thousands.)

These comparisons also emphasize the need for clear definitions and guidelines such that the figures in the two reports are understood and used according to their intent by the users of the reports.

Another alternative for handling capital outlay is to place a dollar minimum and consider the life of the asset of that capital outlay which is to be reported separately. In Concepts and Practices in Local Government Finance, published by the Municipal Finance Officers Association, it is stated that many local governments use the rule that a unit



of equipment which costs \$10,000 or more and has a useful life of at least five years will be contained in capital projects.

The initial basis for the Subcommittee's recommendation stems from the concepts of capital outlay as they are understood to be stated in GAAFR. That is to say that capital outlays which involve the construction, fabrication or acquisition of major capital facilities are to be reported in a separate fund entitled Capital Projects Fund. Other capital outlay which is purchased and has a comparatively shorter life (e.g., machinery, office equipment, vehicles, etc.) should be reflected with the operating expenses in the General Fund as an expenditure in the functional category which they service. An exception would exist for those capital outlays which are acquired by an Enterprise Fund. In this situation, the capital outlay would be reported as an expenditure of the particular Enterprise Fund.

In reporting capital outlay in this manner, one problem is recognized. In smaller localities, a capital outlay such as a police car is a major expense in relation to the total expenditures in the function (in this case Police) and not likely to occur every year. In this case the total expenditures for Police would be atypical for that fiscal year and the per capita comparisons for Police in the locality buying the police car would appear out of line for that locality. This type of situation is not as likely to occur in larger localities where the cost of capital outlay such as equipment and vehicles is spread evenly over each year--either by regular replacement or use of a Working Capital Fund. If a one-time expenditure does occur in a locality which might distort the usual cost of that function for that fiscal period, it is recommended that the reporting locality footnote this. In this manner, the users of the report will be aware of any non-recurring expenditures and can consider this in any analysis.

See Exhibit A-5 and the accompanying worksheets for the suggested reporting formats related to the Capital Projects Fund.

## ENTERPRISE FUNDS

GAAFR defines Enterprise Fund as a fund to finance and account for the acquisition, operation, and maintenance of governmental facilities and services which are entirely or predominately self-supporting by user charges. In some cases, of course, user charges constitute a major source of revenue but do not totally support the Enterprise Fund as the governing body would hope and intend. Examples of Enterprise Funds are those for water, gas, and electric utilities; swimming pools, hospitals, and parking garages; and transit systems.

In the provision of the services for which they were established, governmental enterprises acquire assets and incur operating expenses and liabilities in the same manner as a commercial enterprise. Some distinguishing accounting features of the Enterprise Fund as set forth by GAAFR are:

- utilization of accrual basis of accounting;
- all capital outlay expenditures related to the enterprise is accounted for in the Enterprise Fund;
- fixed assets must be accounted for along with current assets; depreciation of these fixed assets must be recorded and included with other costs incurred;
- payment of all debt service that is for the benefit of the Enterprise Fund is an optional expenditure of the Enterprise Fund.

In Virginia, local governments make their own determination as to which functions are accounted for by an Enterprise Fund. For the purpose of local fiscal reporting, it is recommended that certain functions should be treated as enterprise accounts. For reporting purposes, therefore, only the flow of dollars between the General Fund and the enterprise account would be reflected in the General Fund balance. The flow of dollars within each enterprise account would be reported separately. Consideration is being given to the following functions to be treated as Enterprise Funds for the purposes of reporting:



- Community facilities (refers to major facilities which are spectator-oriented, e.g., coliseum, auditorium, stadium);
- Hospitals;
- Nursing homes;
- Transit;
- Harbor;
- Airport;
- Water and Sewage;
- Electric;
- Gas.

Before making a final decision as to whether or not each of these functions should be reported as an Enterprise Fund, a survey will be taken of each local government to determine whether or not it has expenditures in any of these functions, how it is presently handling the accounts, and what administrative problems or comparability problems would be created if these functions are reported as enterprises.

One disadvantage of reporting certain functions as Enterprise Funds, which are not actually set up that way by the local government, is that depreciation will not be reflected as an expense. In Comparative Cost of City Governments FY 74-75, on Exhibit A-3, Statement of Public Service Enterprise Funds, only fifteen localities show depreciation. Comparative Cost of County Governments does not show a separate exhibit for Enterprise Funds: all revenues and expenditures are included in the consolidated statement of fund accounts. Although the reporting would be more uniform if all local governments were required to establish certain Enterprise Funds, the Subcommittee feels that this is a principle which should evolve rather than be required. Setting up accounts for depreciation on all capital assets, some of which were obtained some time ago, would be very costly.

Another situation to be aware of in trying to derive comparable cost is that some local governments are not charged for the services they receive from their Enterprise Funds. For example, if a locality's water utility does not charge regular local government departments for water

and sewer use, two distortions will occur. One, in ascertaining the total expenditures of a particular function (e.g., Recreation and Parks), the cost for water and sewer will not be reflected. This will also distort comparisons with other local governments where water and sewer charges are included in each function. Two, the revenues in the Enterprise Fund for the locality will be artificially low. This will also distort comparisons with other local governments. The Subcommittee endorses GAAFR's recommendation that all services rendered by an Enterprise Fund for other funds of the governmental jurisdiction should be billed at pre-determined rates, and all services received by the Enterprise from other funds should be paid for on the same basis that other users are charged.

The Subcommittee also proposes that all debt service which is issued for the benefit of public enterprises should, for reporting purposes, show as a transfer from the Enterprise Fund to the Debt Service Fund and be reflected as an expenditure of the Debt Service Fund.

See the worksheet on page 52 for the suggested format related to Enterprise Funds.

#### ALLOCATIONS OF PARTICULAR EXPENDITURES

##### Allocation of Sheriff's Department

The Sheriff's Department may provide any or all of three functions in a locality--serving civil papers and court security, administrator of the jail, and law enforcement. The expenditures for each of these functions is separate for the purposes of local fiscal reporting. Therefore, it is necessary to allocate the expenditures in the Sheriff's Department to as many as three different functional categories so that the true cost of each of these functions is adequately reflected.

##### Allocations Between Functions

In addition to the Sheriff's Department, some local governments may have similar situations where it becomes necessary for reporting purposes, to divide a program cost between two or more functions. The method for allocating is left to the discretion of the locality as to how the cost

should be most appropriately allocated. A note should accompany the report explaining the method used for allocating the expenditures. For example, the maintenance of parks is an expenditure under Parks and Recreation. If a local government includes these expenses in a program which is responsible for all maintenance of buildings and grounds, the cost incurred for the upkeep of the parks should be estimated and reported as an expense under Parks and Recreation rather than Maintenance of Buildings and Upkeep of Grounds.

#### Allocation of Departmental Overhead

If several functions which are to be reported separately come within one department in a locality, the departmental overhead should be allocated to each function based on the percentage their cost is of the total department. Before allocating the cost of departmental overhead to the appropriate function, all cost (benefits, etc.) must be included. For example, for the City of Richmond, the cost for the Director of Public Safety (salary, benefits, and any other general administrative cost) will be allocated to the Bureau of Police and the Bureau of Fire in addition to any other bureaus which are the responsibility of the Director of Public Safety. If total cost for the Bureau of Police (including benefits, etc.) is 40% of the Department of Public Safety, 40% of the cost for the Director of Public Safety will be counted as an expenditure under Police.

#### FUNCTIONAL CATEGORIES

On the expenditure side, it is recommended that twenty-four functional categories be used to report the expenditures of general government. It is recognized that the suggested listing has some differences from that recommended by GAAFR, but it is not felt that such variance constitutes an exception to "generally accepted accounting principles." The categories were developed with some consideration as to the functions which are presently reported in Comparative Cost as well as

consideration of functions which generate the most interest for further analysis among the public, local officials, or state legislators. These expenditure categories are provisional and are subject to change after receiving further comments by affected parties and after experience has been gained from applying them to several prototype localities. The functional categories include:

- Administration of Justice
- Advancement of Agriculture and Home Economics
- Animal Control
- Building Inspection
- Civic, Cultural and Other Contributions
- Corrections and Detention
- Education
- Elections
- Environmental Protection
- Fire Protection
- Health
- Housing
- Internal Administration
  - Financial Administration
  - General Administration
- Libraries
- Maintenance of Buildings and Upkeep of Grounds
- Mental Health
- Miscellaneous
- Planning and Community Development
- Police
- Recreation and Parks
- Refuse Collection and Disposal
- Streets and Roads
- Welfare

PENSION PLANS

Although the scope of the Subcommittee's study has not included an analysis of governmental pension funds, the Subcommittee feels that this is an area which deserves close attention. The majority of Virginia localities are not presently reporting unfunded pension obligations. Under proper accounting, unfunded pension obligations are shown. The method of accounting would determine whether there is complete disclosure or only partial recognition of a local government's pension obligations. Appropriate accounting and reporting of pension and similar employee benefit information is important so that those interested in a local government's financial position can evaluate future demands upon tax dollars.

EXHIBIT A

GENERAL GOVERNMENTAL FUND

Estimated Population July 1, 19__	LOCALITY	Balance Last Reported June 30, 19__	Adjustments	Adjusted Balance July 1, 19__	REVENUE									Total	
					Local Revenue (Exhibit A-1)			Intergovernmental Revenue (Exhibit A-2)							
					Amount	Per Capita	Per Cent	From the Commonwealth			From the Federal Govt.				
Amount	Per Capita	Per Cent	Amount	Per Capita				Per Cent							

**DRAFT**

Non-Revenue Receipts	Total Amount Available	EXPENDITURES						Balance at June 30, 19	
		Maintenance and Operation (Exhibit A-3)		To Debt Service Fund	To Capital Projects Fund	To Enterprise Fund	Total		
		Amount	Per Capita				Amount		Per Capita

**DRAFT**

LOCAL REVENUE

Locality	Property Taxes							Other Local Taxes						
	Real Estate	Personal <sup>1)</sup> Property	Public Service Corporation	Machinery and Tools	Merchant's Capital	Penalties, Delinquent Taxes and Land Redemption	Total	Local Option Sales	Consumer Utility tax	Business, Professional Occupational License Tax	Utility Franchise License Tax	Motor Vehicle Licenses	Other <sup>2)</sup>	Total

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<sup>1)</sup> Includes Mobile Home Taxation

<sup>2)</sup> Taxes included are Admissions, Bank Stock, Dog License, Recordation, Restaurant Meals, Tobacco, Transient Lodging, Wills, Suits and Deeds, Other



## LOCAL REVENUE

Locality	Fines and Forfeitures, Charges for Services <sup>1)</sup>			Earned Income <sup>2)</sup>				Miscellaneous <sup>3)</sup>	TOTAL LOCAL REVENUE
	Fines and Forfeitures	Charges for Services	Total	Interest Earnings	Rental and Sale of Property	Contributions From Public Enterprises	Total		

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<sup>1)</sup> Does not include revenue generated by enterprise funds

<sup>2)</sup> Does not include money earned in enterprise funds or money in trust and agency funds

<sup>3)</sup> Includes contributions and donations from private sources and other miscellaneous revenue

WORK SHEET FOR EXHIBIT A-1  
PROPERTY TAXES AND OTHER LOCAL TAXES

Locality _____	Fiscal Year _____
<b>PROPERTY TAXES</b>	
Real Estate (Current)	_____
Public Service Corporations (Real & Personal (Current))	_____
Personal Property (Current)	_____
Mobile Homes (Current)	_____
Machinery & Tools (Current)	_____
Delinquent Taxes	_____
Penalties & Interest	_____
Land Redemptions	_____
Total	_____
<b>OTHER LOCAL TAXES</b>	
Local Option Sales Tax	_____
Consumer's Utility Tax	_____
Business, Professional, Occupational License Tax	_____
Utility Franchise License Tax	_____
Motor Vehicle Licenses	_____
Other	_____
Admissions	_____
Bank Stock	_____
Dog License	_____
Recordation	_____
Restaurant Meals	_____
Tobacco	_____
Transient Lodging	_____
Wills, Suits & Deeds	_____
Other	_____
Total	_____

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WORK SHEET FOR EXHIBIT A-1  
FINES AND FORFEITURES, CHARGES FOR SERVICES

Locality \_\_\_\_\_ Fiscal Year \_\_\_\_\_

FINES AND FORFEITURES, CHARGES FOR SERVICES

Fines and Forfeitures

- General District Court \_\_\_\_\_
- Circuit Court \_\_\_\_\_
- Juvenile Domestic Relations Court \_\_\_\_\_
- Parking Violations \_\_\_\_\_
- Library Fines \_\_\_\_\_
- Forfeitures \_\_\_\_\_
- Other \_\_\_\_\_

Total \_\_\_\_\_

Charges for Services

- Board and Sale of Dogs (Dog Pound) \_\_\_\_\_
- Boiler Inspection Fees \_\_\_\_\_
- Building Inspection (Permit) \_\_\_\_\_
- Clerk of Court Fees \_\_\_\_\_
- Commonwealth's Attorney's Fees \_\_\_\_\_
- Education
  - School Cafeteria Sales \_\_\_\_\_
  - Rental School Books \_\_\_\_\_
  - and Property \_\_\_\_\_
  - School Tuition \_\_\_\_\_
  - Sale of School Supplies \_\_\_\_\_
  - Activity Fees \_\_\_\_\_
- Electrical Inspection (Permit) \_\_\_\_\_
- Elevator Inspection Fees \_\_\_\_\_
- Fire Protection Service \_\_\_\_\_
- Garbage and Trash Removal \_\_\_\_\_
- Health Clinic Fees (other than those fees which go to the State) \_\_\_\_\_
- Land Transfer Fees \_\_\_\_\_
- Library Fees \_\_\_\_\_
- Parking Meter Fees \_\_\_\_\_
- Plumbing Inspection Fees \_\_\_\_\_
- Recreation Fees \_\_\_\_\_
- Septic Tank Permits \_\_\_\_\_
- Sheriff Fees \_\_\_\_\_
- Sign Inspection \_\_\_\_\_
- Street Construction and Repair \_\_\_\_\_
- Street Lights \_\_\_\_\_
- Weights & Measures Checking Fees \_\_\_\_\_
- Wetlands Permits \_\_\_\_\_
- Zoning (Subdivision Fees) \_\_\_\_\_
- Other \_\_\_\_\_

Total \_\_\_\_\_

Total \_\_\_\_\_

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WORK SHEET FOR EXHIBIT A-1  
EARNED INCOME, MISCELLANEOUS

Locality \_\_\_\_\_ Fiscal Year \_\_\_\_\_

EARNED INCOME

Interest Earnings  
Bond Premiums

Total

Rental and Sale of Property  
Rents and Royalties  
Sales of and Contributions of  
Fixed Assets  
Escheats

Total

Contributions from Public Enterprises

Airports  
Community Facilities  
Electric  
Gas  
Harbor  
Nursing Home and Hospital  
Public Works  
Transportation

Total

Total

MISCELLANEOUS REVENUE

Contributions from Private Sources  
Other \_\_\_\_\_

Total

TOTAL LOCAL REVENUE

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INTERGOVERNMENTAL REVENUE

Locality	From the Commonwealth				From the Federal Government				Total Intergovernmental Revenue
	Grants (Categorical)	Shared Revenue (Non-Categorical)	Payments in Lieu of Taxes	Total	Grants (Categorical)	Shared Revenue (Non-Categorical)	Payments in Lieu of Taxes	Total	

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WORK SHEET FOR EXHIBIT A-2  
INTERGOVERNMENTAL REVENUE

Locality \_\_\_\_\_ Fiscal Year \_\_\_\_\_

INTERGOVERNMENTAL REVENUE

From the Commonwealth

- Grants (Categorical)
  - Aid for Education
  - Sales Tax for Education
  - Highways
  - Welfare
  - Mental Health
  - Libraries
  - Treasurer
  - Sheriff
  - Commonwealth's Attorney
  - Commissioner of Revenue
  - Registrar

Total

Shared Revenues (Non-Categorical)

- ABC Profits
- Rolling Stock Tax
- Wine & Spirits Sales Tax
- Taxes on Boxing and Wrestling
- Other \_\_\_\_\_

Total

Payments in Lieu of Taxes

Total

Total

From the Federal Government

- Grants (Categorical)
  - Community Development
  - Education
  - Welfare
  - Law Enforcement
  - Other \_\_\_\_\_

Total

Shared Revenues (Non-Categorical)

- Revenue Sharing
- Other Anti-Recessionary

Total

Payments in Lieu of Taxes

Total

Total

TOTAL INTERGOVERNMENTAL REVENUE

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## SUMMARY OF MAINTENANCE AND OPERATIONS

Locality	Total Expenditures <sup>1)</sup>	Intergovernmental Aid (Categorical Grants)		Charges for Services	Local Support <sup>2)</sup>		
		State	Federal		Amount	Per Capita	Per Cent
Total Counties							
Total Cities							
Counties & Cities							

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<sup>1)</sup> Reflects the total expenditures for all functions except those reported as enterprise funds in a separate table, and debt service and major capital outlay which are also reported separately. (Breakdown of "Maintenance and Operation" by function found in Schedules B-1 through B-23.)

<sup>2)</sup> Includes amount financed from local sources (other than charges for services) and non-categorical intergovernmental revenue.

WORK SHEET FOR EXHIBIT A-3  
 MAINTENANCE AND OPERATION FOR (LOCALITY) \_\_\_\_\_

Function	Total Expenditures <sup>1)</sup>	Intergovernmental Aid (Categorical Grants)		Charges for Services	Local Support <sup>2)</sup>		
		State	Federal		Amount	Per Capita	Per Cent
Administration of Justice							
Advancement of Agriculture & Home Economics							
Animal Control							
Building Inspection							
Civic, Cultural, & Other Contributions							
Corrections & Detention							
Education							
Elections							
Fire Protection							
Health							
Housing							
Internal Administration							
Financial Administration							
General Administration							
Libraries							
Maintenance of Buildings & Upkeep of Grounds							
Mental Health							
Miscellaneous							
Planning & Community Development							
Police							
Recreation & Parks							
Refuse Collection & Disposal							
Streets & Roads							
Welfare							
TOTAL							

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1) Adjusted so that only the services provided for the reporting locality are reflected.

2) Includes amount financed from local sources (other than charges for services) and non-categorical intergovernmental revenue.



DETAILS OF (FUNCTION)

Locality	Total Expenditures <sup>1)</sup>	Intergovernmental Aid (Categorical Grants)		Charges for Services	Local Support <sup>2)</sup>		
		State	Federal		Amount	Per Capita	Per Cent
Total Counties							
Total Cities							
Counties & Cities							

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Functional categories being considered are:

Schedule

B-1 Administration of Justice  
 B-2 Advancement of Agriculture & Home Economics  
 B-3 Animal Control  
 B-4 Building Inspection  
 B-5 Civic, Cultural & Other Contributions  
 B-6 Corrections & Detention  
 B-7 Education  
 B-8 Elections

Schedule

B-9 Fire Protection  
 B-10 Health  
 B-11 Housing  
 B-12 Internal Administration  
 B-12 Financial Administration  
 B-13 General Administration  
 B-14 Libraries  
 B-15 Maintenance of Buildings &  
 Upkeep of Grounds

Schedule

B-16 Mental Health  
 B-17 Miscellaneous  
 B-18 Planning & Community Development  
 B-19 Police  
 B-20 Recreation & Parks  
 B-21 Refuse Collection & Disposal  
 B-22 Streets & Roads  
 B-23 Welfare

<sup>1)</sup> Adjusted so that only the services provided for the reporting locality are reflected.

<sup>2)</sup> Includes amount financed from local sources (other than charges for services) and non-categorical intergovernmental revenue.

WORK SHEET FOR SCHEDULES B-1 THROUGH B-23  
DETAILS OF (FUNCTION)<sup>1)</sup>

Locality \_\_\_\_\_ Fiscal Year \_\_\_\_\_

General Fund Expenditures

Department(s)	_____
Departmental Overhead	_____
Fringe Benefits	_____
Other	_____
Subtotal	_____

Special Funds

Subtotal \_\_\_\_\_

Total Expenditures \_\_\_\_\_

Less Interfund Transfers<sup>2)</sup> \_\_\_\_\_

Less Reimbursements (for services not provided to the locality)<sup>3)</sup> \_\_\_\_\_ (name reimbursing governments & program activity)

Less Refunds<sup>4)</sup> \_\_\_\_\_

True Total Expenditure \_\_\_\_\_

Less State Categorical Aid \_\_\_\_\_

Less Federal Categorical Aid \_\_\_\_\_

Less Charges for Services \_\_\_\_\_

Local Support \_\_\_\_\_

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1) The final worksheet detailing each function may be a combination of several similar worksheets if the function is made up of several activities. (Example: Administration of Justice includes the Circuit Court, District Court, Juvenile and Domestic Relations Court, Commonwealth's Attorney, Clerk of Court.)

2) Only the interfund transfers which will be reflected as an expenditure in another function should be subtracted here. Interfund transfers (such as those made to intergovernmental service funds) which are part of the expenditure necessary for performing the particular function, should not be subtracted.

3) Reimbursements which are received from other governmental entities for a service provided for that entity should be subtracted. (Example: Money received from the state for the care of state prisoners should be subtracted from the total expenditures and therefore not considered as an expenditure necessary for maintaining jails in the reporting locality.)

4) If the locality overpaid expenditures, the refunds received should be subtracted. (Example: A refund received from the Department of Health after the year end expenditures and revenues of the prior year are computed should be subtracted from total expenditures.)

## DEBT SERVICE FUND

Locality	Balance last Re- ported	Adjustments	Adjusted Balance July 1, 19__	Source of Funds					Application of Funds						Ending Balance June 30, 19__			
				General Fund	Sale of Property	Enter- prise Fund	Other	Total	Redemption			Interest				Other	Total	
									General	Enter- prise	Total	General	Enter- prise	Total				

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WORK SHEET FOR EXHIBIT A-4  
DEBT SERVICE FUND

	<u>Total</u>	<u>Enterprise</u>	<u>General</u>
<u>Beginning Balance</u>			
Previous Balance			
Adjustments			
Balance July 1st			
<u>Source of Funds</u>			
General Fund			
Sale of Property			
Enterprise Fund			
Other			
Total			
<u>Application of Funds</u>			
Redemption			
Interest			
Other			
Total			
<u>Ending Balance</u>			
June 30th			

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## CAPITAL PROJECTS FUND\*

Locality	Balance Last Reported	Adjustments	Adjusted Balance July 1, 19__	Source of Funds					Application of Funds				Ending Balance June 30, 19__	
				General Fund	Sale of Property	State/Federal Grants	Sale of Bonds	Total	General	Schools	Streets and Roads	Total		

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\*Includes capital projects for general fund government only.

WORK SHEET FOR EXHIBIT A-5  
CAPITAL PROJECTS FUND  
(GENERAL GOVERNMENT)

Beginning Balance

Previous Report	_____	
Adjustments	_____	
Balance July 1st		_____

Source of Funds

General Fund	_____	
Sale of Property	_____	
State Grants	_____	
Federal Grants	_____	
Sale of Bonds	_____	
Other	_____	
Total		_____

Application of Funds

General Government	_____	
Schools	_____	
Streets and Bridges	_____	
Recreation and Parks	_____	
Public Safety	_____	
Drainage	_____	
Housing and Urban Renewal	_____	
Refuse Disposal	_____	
Total		_____

Ending Balance

June 30th		_____
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WORK SHEET FOR ENTERPRISE FUND  
(FUNCTIONS)<sup>1</sup>

Locality \_\_\_\_\_ Fiscal Year \_\_\_\_\_

Source of Funds:

Funds Provided from Operations:  
Operating Service Revenues

Operating Revenue Deductions:  
Operation & Maintenance Expenses  
Depreciation

Taxes:  
Income  
Other  
Miscellaneous

Total Operating Revenue Deductions

Utility Operating Income or (Loss)

Other Income

\*Gross Income

Income Deductions:  
Interest on Long Term Debt  
Other Interest Payments

Total Income Deductions

Net Income

Plus: Depreciation - Not Affecting Working Capital

Total Funds Provided from Operations

Sale of Bonds  
Increase in Contributions in Aid of Construction  
Increase in Retained Earnings - Prior Year Adjustment  
Decrease in Plant Investment  
Increase in Other Assets  
Decrease in Other Liabilities

\*Total Source of Funds

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\*Payments from other governmental entities for their benefit should be netted out at this point.

WORK SHEET FOR ENTERPRISE FUND (CONTD.)  
(FUNCTIONS)<sup>1</sup>

Application of Funds:

Retirement of Long Term Debt  
Restatement of Earnings Reinvested in the Business  
Increase in Plant Investment  
Decrease in Retained Earnings - Prior Year Adjustment  
Increase in Other Assets  
Decrease in Other Liabilities

\*Total Application of Funds

Increase in Working Capital

**DRAFT**

<sup>1</sup>Separate balance sheets should be prepared for each of the following:

Airport  
Community Facilities  
Electricity  
Gas  
Harbor  
Nursing Home and Hospital  
Water and Sewage  
Transportation

\*Payments from other governmental entities for their benefit should be netted out at this point.



## SUMMARY OF DEBT SERVICE

Amount of Debt at June 30, 19__										
Locality	Bonds and Bond Issue Anticipation Loans	Literary Fund Loans	Long-Term Notes and Contracts	Temporary Loans	Total Gross Debt				Net Debt or Sinking Fund Assets	Balance of Net Debt
					General	School	Enterprise	Total		

**DRAFT**

MAJOR SOURCES

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